

# FULL YEAR RESULTS PRESENTATION FY2013

27 August 2013

*Presented by:*

**David Kindl**

Joint Managing Director

**James Kindl**

Joint Managing Director

**Ann Phillips**

Chief Financial Officer

# NONIB



# ABOUT NONI B

---

- Women's fashion retailer for today's busy woman who wants to look great and feel special and 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.
- Purchasing model not directly impacted by currency changes.
- Experienced team who have managed retail down-turns before.

# HIGHLIGHTS

---

- Sales grew 1.5% despite one less week than previous year.
- Comparative sales growth 1.2% (normalised for 52 weeks).
- Over 95,000 new loyalty club members; total over 1 million.
- Online Store achieved first milestone of over \$1.0 million in sales.
- New range NONI+ (larger sizes) had a successful trial and added to selected stores.
- Store managers and assistant store managers completed retail studies external qualifications - Diploma of Retail Management.
- New fit out design rolled out.
- Grew cash balance to \$9.9 million at 30 June 2013.
- Finished the year with 11.4% less inventory.
- Eight new stores opened, including three on a 12 month trial basis.
- All suppliers signed updated Noni B ethical practice agreements.

# RESULTS OVERVIEW

---

- Fashion retail conditions remain challenging nationally.
- Sales \$121.5 million (52 weeks) compared with last year \$119.7 million (53 weeks).
- Gross profit margin down 0.2%.
- Total expenses increased 3.8%.
- Underlying EBITDA (i.e. excluding the impairment of goodwill) of \$5.0 million, down 27.1% on previous year of \$6.9 million.
- One off, non cash goodwill impairment of \$5.0 million .
- The goodwill impairment resulted in a statutory after tax loss of \$3.5m.
- Underlying NPAT (i.e. excluding the impairment of goodwill) of \$1.5 million (FY2012: \$2.7 million).
- No final dividend declared. Interim dividend of 2.5cps fully franked previously paid in March 2013.

# PROFIT SUMMARY

	30 June13 \$'000	1 July12 \$'000	% change
Sales	121,511	119,705	1.5%
Underlying Earnings before interest, tax, depreciation and amortisation	5,049	6,926	(27.1%)
Underlying Earnings before interest and tax	2,054	3,648	(43.7%)
Underlying Profit before tax	2,229	3,883	(42.6%)
<b>Underlying Net profit after tax</b>	<b>1,527</b>	<b>2,682</b>	<b>(43.1%)</b>
Impairment of goodwill	5,027	-	-
Statutory profit / (loss) after tax	(3,500)	2,682	
<i>Underlying Earnings per share (cents)</i>	4.8	8.4	(42.9%)
<b>Final dividend per share – fully franked (cents)</b>	<b>0</b>	<b>3.5</b>	
Interim dividend per share – fully franked (cents)	2.5	2.5	

- Underlying – excluding impairment of goodwill \$5.0 million

# BALANCE SHEET

---

	30 Jun 2013 \$'000	1 Jul 2012 \$'000	% change
Cash	9,901	9,328	6.1%
Inventory	13,583	15,337	(11.4%)
Borrowings	117	159	(26.4%)

- Inventory reduction followed a decision to reduce stock levels in view of the weak conditions
- Stock levels forecast to remain at this lower level
- The Company has no bank borrowings

Net assets	21,333	26,730
------------	--------	--------

- Reduction reflects the impairment of goodwill of \$5.0 million

# CASH FLOW

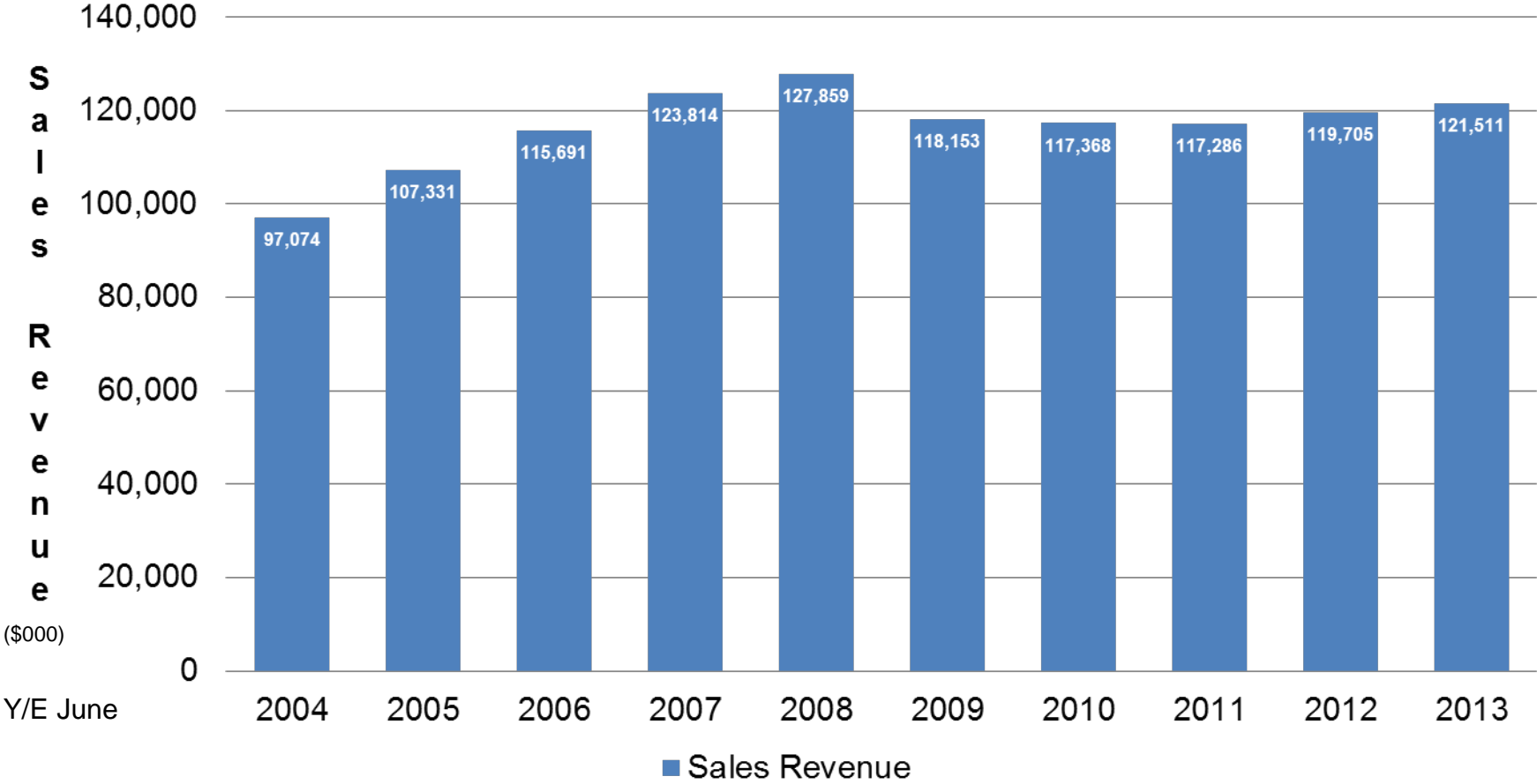
---

<b>Cash flow for the year ended</b>	<b>30 June 13 \$'000</b>	<b>1 July 12 \$'000</b>	<b>% change</b>
Cash from operations	6,146	7,029	(12.6%)
Cash used in investing	(3,470)	(2,269)	53%
Cash used in financing	(2,103)	(916)	129%
Net increase in cash and cash equivalents	573	3,844	
Cash and cash equivalents at beginning of year	9,328	5,484	
<b>Cash and cash equivalents at end of year</b>	<b>9,901</b>	<b>9,328</b>	<b>6.1%</b>

- Investing – includes 8 new stores (6 last year) and 5 relocations (2 last year) and store refurbishments
- Financing – increased dividend payments following the improved FY2012 result

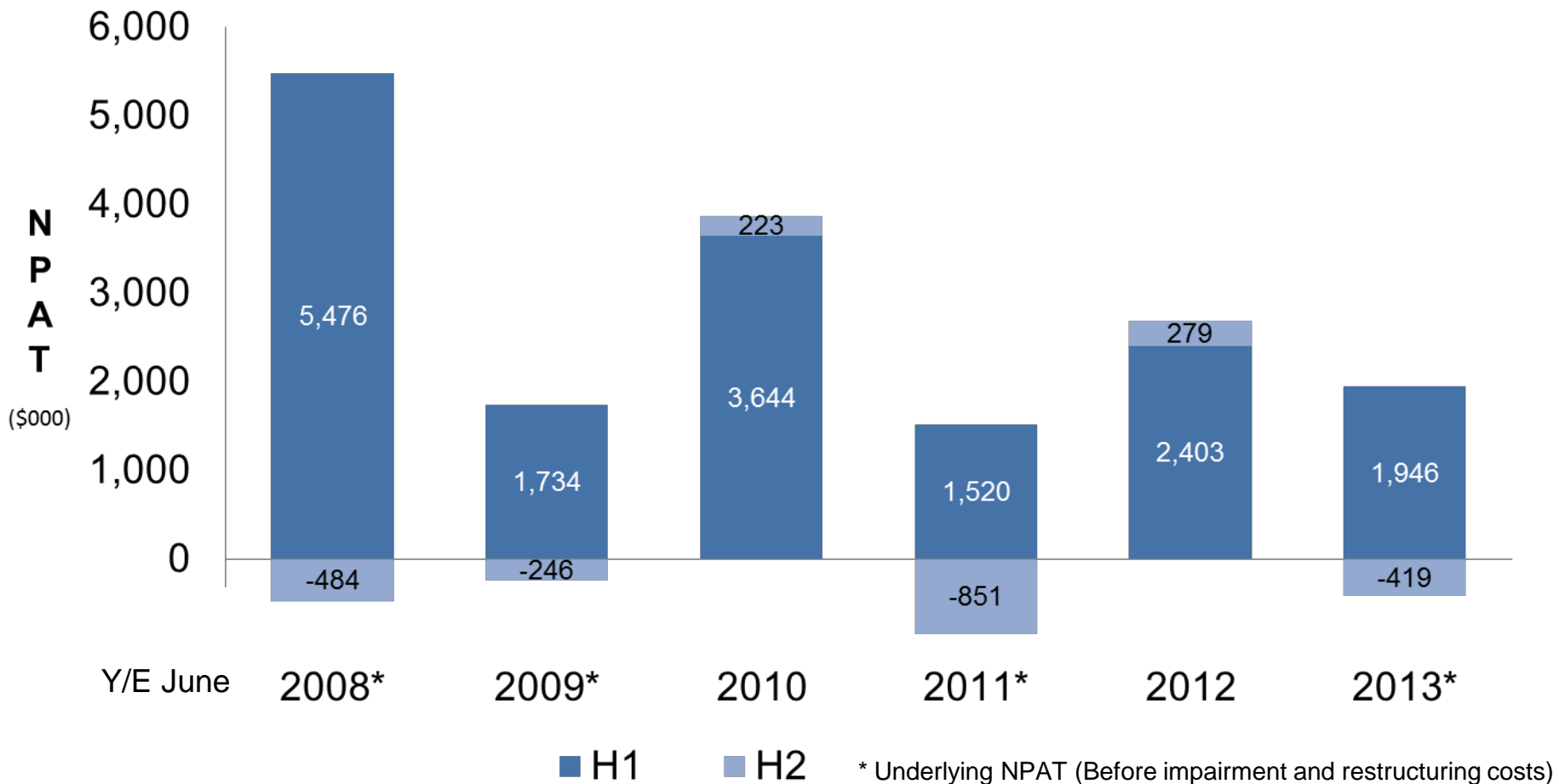
# SALES HISTORY

---





# NPAT HISTORY



# KEY DRIVERS OF THE RESULT

---

## Sales

### Stores

- Comparable store sales down 0.7% for 52 week vs. 53 week previous year.
- Normalised comparable store sales for 52 weeks increased by 1.2%.
- Aggressive industry discounting continued, promotional activity similar to last year.
- Store numbers at 30 June 2013 grew to 219, from 215 at 1 July 2012. Eight stores opened and 4 underperforming stores closed. Openings: NSW 3, VIC 1, WA 1, QLD 3. Closures: NSW 2, VIC 1, WA 1. Three of the new stores are 12 months trials to reduce risk.

### Online

- Webshop sales grew to \$1.0 million with M.A.T. increasing every month. Average spend is higher than stores and customers are purchasing more of the Liz Jordan range.

# KEY DRIVERS OF THE RESULT

---

## Product Margin

- Gross margin was down 0.2% to 59.4% of sales.
- Buying / first margin continued to grow.
- The gross margin was impacted by aggressive industry discounting and a write off of \$0.4 million in aged stock.
- Quality standards of garments were maintained; only best practice suppliers are used.
- Noni B Travel range and new NONI+ (larger sizes) range drive better margins as well as being a point of difference. Both of these new ranges are a direct response to customer requests.

# KEY DRIVERS OF THE RESULT

---

## Expenses

- Marketing & selling expenses - up 4.7% as a result of the set increases in the existing Enterprise Agreement (expires October 2013), increased store numbers, staff training and introduction of WA Sunday trading. Store wage hours have been maintained at levels to ensure customer service standards are always achieved.
- Occupancy - up 4.4% as a result of contracted annual lease reviews as well as an increase in store numbers from 215 to 219. Store leases renewed during the year resulted in a overall reduced rental base to carry forward.
- Administration - down 1.7%. Some costs are increasing, especially compliance and utilities.

# 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 location needs a compelling reason - service, range, experience.
- '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.
- Competition from non retail areas, especially overseas travel with strong AUD.
- Rising employment costs.

# OUR PHILOSOPHY MATCHES NEW RETAIL

---

- Customers will always want clothes with the best quality and that are on-trend in style & design. We continually strive to build premium into our labels.
- 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 favourable.
- Customer feedback tells us they want to see ethical treatment of staff, customers and suppliers. 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. Our latest innovation is the online booking of our in-store personalised styling sessions.

# GROWTH STRATEGY

---

**Management focus is on positioning the business for a recovery in demand and further growing online sales**

- **Sales Boost (Store and Online)** - increase new product ranges, grow online channel with a focus on international markets and online smart phone compatibility; store refurbishment program to continue
- **Targeted CRM** - promotional email platform introduced to target customers individually
- **Manage Leasing** - Continue to close underperforming stores and look for attractive rental deals to open new stores in trade areas not currently serviced. Expect continued overall reduction in rental renewals as the last of the pre-GFC lease deals expire
- **Improve Margins** - planned reduction in inventory should lead to improved gross profit margins; supplier terms renegotiated; rejuvenate low margin categories; reinvigorate the Liz Jordan label to the next level; decrease reliance on promotional discounting
- **Maintain Customer Service** - all email feedback direct to senior management, standards tested and maintained
- **Maintain Balance Sheet Flexibility** - maintain strong cash position for growth opportunities

# OUTLOOK

---

- Market conditions will remain challenging for discretionary retail; sales for July and August 2013 have been impacted by pre-election caution.
- Our strong cash position will also enable us to take advantage of growth opportunities that increase shareholder value.
- Confident Noni B is well placed to improve performance as demand grows, given our high standards of personal service, strong brands that are exclusive to Noni B, and lower inventory.



# QUESTIONS

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



NONI B