

# THE JUST GROUP

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## JUST GROUP ENTERS NEXT PHASE OF GROWTH WITH 2<sup>ND</sup> HALF EARNINGS PER SHARE UP 20.8% AND FULL YEAR EARNINGS PER SHARE UP 13.7%

*“A pleasing result with a strong second half and well positioned for continued growth” – Jason Murray, Managing Director, Just Group*

### The Just Formula

### FY07 Highlights

1. The best portfolio of clearly segmented and continuously refreshed retail fashion brands

*“Good result from the largest brands in the group – Just Jeans and Jay Jays – and improved trading in the second half for womenswear”*

- All brands have finished the year in good health with positive earnings momentum
- Group same store sales growth of 3.5% for the full year and 5.7% in the 2<sup>nd</sup> half
- Just Shop customer connection program now has over 325,000 active members and is working very well
- Retailer of the year awards for Portmans and Peter Alexander
- Acquisition of Smiggle adds 7<sup>th</sup> fashion brand to the Just portfolio and a significant source of additional growth

2. Plugged into the market's most diverse and capable Fast Fashion Retail Machine

*“Even greater market coverage and fast fashion capability”*

- Retail footprint expanded by 35 stores to 810. Total retail space increased by 6,479 sqm, an increase of 5.8%
- Expansion continues in South Africa where our joint venture now operates 14 stores
- Just Group wins best apparel supply chain award
- Significant reinvestment into Just's IT, eCommerce and distribution capability
- Annualised stockturn of 5.09 times versus 4.73 times in FY06

3. Delivering exceptional returns and sustainable earnings growth

*“A pleasing result across the entire group coupled with a focus on renewal and repositioning for the next phase of growth and development”*

- NPAT of \$63.9m versus \$57.2m in FY06, up 11.7%
- Earnings per share growth of 13.7% for the full year and 20.8% for the 2<sup>nd</sup> half
- Return on capital employed of 66.3%, up from 60.4%
- Operating cashflow of \$89.8m, up 10.6%
- Final fully franked dividend of 10.0 cents per share, which takes the full year dividend to 19.5 cents per share, an increase of 14.7%

### Adjusted Earnings – Net of Gain from Sale of Colorado Limited shares

A net gain of \$2.5m, after advisory costs and tax, was recognised upon the disposal of the company's strategic investment in Colorado Limited. Excluding the benefit of this gain, adjusted NPAT of \$61.4m represents growth of 7.4% on last year. Earnings per share excluding this gain is 28.70 cents, an increase of 9.4% over the prior year.

Please see page 7 for a detailed financial summary

## **BRAND SUMMARY**

### **Just Jeans**

The repositioning of Just Jeans during calendar year 2006 has proved successful and the brand is performing well. Our new store format, revamped product ranges and relaunched marketing approach have been well accepted by consumers. Same store sales grew 3.8% for the year and 5.5% for the winter half. Total sales, margins and profit contribution have all increased during the year despite having 10 fewer stores.

### **Jay Jays**

Jay Jays is now the largest brand in the Just Group portfolio and continues to drive both top and bottom line growth. The compelling Jay Jays consumer offer of fantastically priced casual fashion in a branded environment, has delivered same store sales growth of 5.4% for the year and 7.4% for the second half.

### **Dotti**

The repositioning and renewal program for Dotti is progressing to plan with same store sales growth of 7.7% in the 4<sup>th</sup> quarter. Further refinements to product ranges, marketing (including the use of Peaches Geldof as the face of Dotti) and the store format are planned for the upcoming season. Earnings momentum is positive.

### **Portmans**

After a disappointing 1<sup>st</sup> half, the turnaround evident after Christmas continued through the 2<sup>nd</sup> half with same store sales growth of 7.4% (full year 4.2%). Our ability to quickly bring to market the most fashionable looks underpinned this result. We are delighted that Miranda Kerr, the international model, will again be the face of Portmans in FY08.

### **Jacqui E**

The recent performance of Jacqui E gives us confidence that the brand is now well positioned with consumers and we expect trading in FY08 will be much improved. After an intense 9 months of change and effort, Jacqui E had a much stronger 4<sup>th</sup> quarter.

### **Peter Alexander**

Peter Alexander celebrated its 20<sup>th</sup> anniversary this year with another outstanding result. We believe that this brand, with its design component and emphasis on sleepwear, will succeed in the international market and are negotiating to open up to 4 pilot stores in California during calendar year 2008 to test this potential.

### **Smiggle**

The acquisition of the fashion stationery business, Smiggle, was completed on August 27<sup>th</sup>. This is a small but very successful business that has exciting growth prospects. On settlement date, the business operated 20 stores and we hope to have at least 30 stores open by the end of the 2008 financial year. The existing stores are trading well and we remain confident that this acquisition will enhance Just Group earnings by at least 1 cent per share in 2007/08.

## **FAST FASHION RETAIL MACHINE SUMMARY**

### **Store network**

At the end of the financial year, Just operated 810 stores in Australia and New Zealand, up from 775 at the end of July 2006. This includes 20 store closures that occurred in small centres that no longer provide required returns or in those sites where rents were to rise beyond an acceptable level. Additionally, 9 Just Jeans stores were converted into Jay Jays stores with excellent results.

In addition to new stores, Just Group is focused on facilitating top-line and earnings growth through store expansions, especially in the Jay Jays chain. In the 2007 financial year, 21 stores were expanded and, in combination with the new stores, 6,479 square metres of space have been added, which represents an increase of 5.8% to our estate.

### **New Zealand**

Despite continuing tough economic conditions in New Zealand, Just Group has successfully continued to grow in that market. A total of 9 new stores were opened, bringing the total to 132 and cementing our position as the largest speciality fashion chain in New Zealand. In the winter half, same store sales growth was 1.4% with an improvement in profitability.

### **South Africa**

The joint-venture in South Africa is progressing well with 14 Jay Jays stores at year end. Our focus is on building a strong and sustainable platform that will serve well the Jay Jays brand, and eventually our other brands. A small loss was incurred, and included in the Just Group result on an equity accounted basis, in the FY07 year. This is likely to be the case again in FY08 with the business expected to be profitable in FY09.

### **Supply chain & Information systems**

We have worked tirelessly in FY07 to again increase our speed to market. New lines can now be developed, made and delivered in 6 to 8 weeks when fabric is available, and we are working to institutionalise this capability. Both of our Australian distribution centres have been reconfigured and upgraded to increase their capacity and to further improve the flow of product to stores. We are also enhancing our IT systems and capability. While this will take many years to complete, a significant investment in FY07 has been made in expanding and upskilling the IT team. We have upgraded our e-commerce platform to allow us to take each brand online in a meaningful transactional way and built new systems to enable us to offer gift cards in all stores.

### **People**

Highlights of our people development program in FY07 were the substantial investment into store staff induction, the continued recognition of our Kimberley Award winners and the ongoing focus on talent management across all parts of our business. Coupled with our ongoing success in recruiting and retaining the industry's stand-out talent, we believe our people are the best in the retail fashion industry.

### **Board & management changes**

In July 2007 Just Group announced the appointment of two new non-executive directors, Ms Susan Oliver and Mr Ian Dahl and the election of Dr Ian Pollard as Chairman following the resignation of Mr Jonathan Pinshaw. This follows the appointment of Mr Jason Murray as Managing Director in September 2006, following the retirement of Howard McDonald, and of Mr Ashley Gardner as Chief Financial Officer, the role vacated by Mr Murray, in January 2007.

## **FINANCIAL SUMMARY**

### **Dividends**

The Directors have declared a final dividend of 10.0 cents per share, fully franked, which takes the full year dividend to 19.5 cents per share, an increase of 14.7% over the prior corresponding period. The full year dividend equates to a payout ratio of 63.9% of after tax earnings excluding the gain from the investment in Colorado Limited. This is in line with our stated policy of paying out between 60% and 65% of after tax earnings. The dividend will be paid on 14 November 2007 and the record date is 24 October 2007.

### **Share buy-back**

The Group successfully completed its off market share buy-back in May 2007, with 16.7 million shares (7.65% of issued shares) bought back at \$3.90 per share. The total buy back consideration of \$65.0m was in line with our plans. Demand from shareholders to participate in the buy-back was very strong.

### **Cashflow & funding**

The Group continues to generate very strong cash flows, with cash flow from operations increasing by 10.6% to \$89.8m. The above earnings growth rate in operating cashflow is due to further increases in stock turnover and an ongoing focus on working capital management.

Core debt increased to \$121.6m during the year, with an additional \$40.0m of debt funding for the share buy-back. Subsequent to year-end, a further \$20.0m has been drawn down to fund the acquisition of Smiggle. Despite the increased levels of debt, the Group remains well within an acceptable level of gearing, with an interest cover of more than 14 times based on 2007 actual EBITA, and strong operating cash flows.

### **Capital expenditure**

Just under \$27m, up from \$25.4m in FY06, was invested during the FY07 financial year on new and existing stores, our supply chain and information systems. Of this, approximately 70% was directed to growth initiatives. To further drive and underpin the growth of the company, we expect to spend approximately \$35m in total capital expenditure in FY08, of which around \$3m has been budgeted for the expansion of Peter Alexander into the USA.

### **Margins & currency management**

Gross and EBITA margins for the year have been relatively stable compared to the prior period, with gains in the second half compensating for weakness in the first. These gains have been assisted by improved trading in Womenswear and a stronger Australian dollar.

The level and volatility of the AUD has a significant impact on the Group's margins, with approximately 50% of purchases denominated in USD. A comprehensive review of the Group's foreign currency risk management policy has recently been completed and, as a result, our foreign currency hedging will now include the use of foreign currency options (along with the forward exchange contracts currently used), with cover extending for up to 2 years forward. This change will facilitate longer term decision making and should make it easier for the investor market to understand and value the Group's strategy and financial prospects

As at the date of this release, foreign currency hedging is in place for around 75% of the group's expected stock purchases for FY08. The average USD rate that will be achieved on these purchases is 0.8169 which compares to an average rate achieved for FY07 of 0.7689. No cover has been placed for periods beyond July 2008 at this stage.

## 2010 STRATEGIC PLAN

The 2007 financial year just completed represents the first year of a new 4 year strategic plan for the Just Group. It is underpinned by continued and enhanced investment into our portfolio of great retail fashion brands and into the Fast Fashion Retail Machine that brings those brands to market in the widest and most compelling manner.

If economic conditions remain similar to those of today, we believe that this strategy will deliver average annual earnings per share growth of at least 10% over the life of the plan. Based upon our 2006 earnings per share of 26.24 cents, the goal for the 2010 financial year is to deliver at least 38.4 cents earnings per share.

The FY07 result is ahead of plan on a reported basis and just under (28.70c versus 28.86c) when adjusting for the gain on the strategic investment into and sale of Colorado Limited shares.

The key elements of the plan are:

### **The Just Formula**

### **Strategic Focus Areas – 2007 to 2010**

**1. The best portfolio of clearly segmented and continuously refreshed retail fashion brands**

- Same store sales growth target of 3-5% per annum for the 4 established brands – Just Jeans, Jay Jays, Portmans and Jacqui E – achieved via continued focus on the offers and stores and a deeper focus on customer relationships
- Strong focus on growth for the emerging brands – Peter Alexander, Dotti – underpinned by store rollout
- Rapid growth in Smiggle delivering at least 1 cent per share of earnings growth of FY08 and a further 1 cent per share of earnings growth in FY09
- Further acquisitions as appropriate

**2. Plugged into the market's most diverse and capable Fast Fashion Retail Machine**

- Potential for approximately 15,000 - 20,000 square metres of new retail space in Australia and New Zealand (up to 17% of the current estate)
- Consolidation, then expansion in South Africa
- Peter Alexander brand to go international – USA first
- New sources of supply
- New Auckland distribution centre with enhanced systems and increased capacity
- Continued focus on improving stock turnover

**3. Delivering exceptional returns and sustainable earnings growth**

- ROCE\* a core way of measuring our success in doing business
- Average annual earnings per share growth target of 10% plus
- Strong operating cashflows aligned with the growth of the business
- Dividend payout ratio of 60-65% of after tax earnings to be maintained
- Ongoing capital management when appropriate

\* ROCE – Return on Capital Employed = EBITA/(Average net assets less cash plus interest bearing liabilities)

## OUTLOOK

“The outlook for 2007/08 is positive in Australia despite the recent interest rate rise, the increased volatility of the Australian dollar and the upcoming federal election,” said Mr Murray.

“Trading in New Zealand is expected to continue to be challenging with increased competition from new entrants and generally tougher economic conditions.

“Sales and profits for the first 6 weeks of the new financial year are ahead of the corresponding period of last year, with the casualwear brands trading more strongly than the womenswear brands.

“The earnings derived from the acquisition of Smiggle will be of benefit in FY08 and the recently completed share buy-back is earnings per share accretive. Our ongoing investments in South Africa, the USA and into our Retail Machine will help grow the long term profitability of the company without a significant impact upon FY08 profits.

“Overall, this is an exciting time for all Just Group employees and shareholders and our company is well positioned for many years of sales and profit growth,” said Mr Murray.

\* \* \*

Just Group is a leading specialty fashion retailer operating over 800 stores in Australia and New Zealand and 14 stores in South Africa via a joint venture arrangement. Founded in 1970, the Company operates leading fashion brands Just Jeans, Jay Jays, Dotti, Portmans, Jacqui E, Peter Alexander and Smiggle. Just Group was listed on the ASX (JST) on 7 May 2004.

Further information about the Group is at [www.justgroup.com.au](http://www.justgroup.com.au)

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## FINANCIAL SUMMARY - 2006/07

FULL YEAR						
		2006	2007		CHANGE	
		Reported	Reported	Adjusted	Reported	Adjusted
Stores (year end)	No.	776	<b>810</b>		+34	
Retail space	Sqm	112,645	<b>119,124</b>		5.8%	
Sales**	\$'000's	698,002	<b>762,422</b>	<b>759,616</b>	9.2%	8.8%
Same store sales growth	%	2.1%	<b>3.5%</b>			
Gross Profit margin**	%	57.62%	<b>57.39%</b>	<b>57.76%</b>	-23bps	+14bps
EBITDA*	\$'000's	105,432	<b>117,252</b>	<b>114,779</b>	11.2%	8.9%
EBITA*	\$'000's	88,272	<b>97,420</b>	<b>94,947</b>	10.4%	7.6%
EBITA margin*	%	12.6%	<b>12.8%</b>	<b>12.5%</b>	+10bps	-17bps
NPAT*	\$'000's	57,205	<b>63,891</b>	<b>61,430</b>	11.7%	7.4%
Earnings per share*	cents	26.24	<b>29.85</b>	<b>28.70</b>	13.7%	9.4%
Operating cashflow	\$'000's	81,132	<b>89,760</b>		10.6%	
Stockturn (annualised)	times	4.73	<b>5.09</b>		+0.36	
Net Debt	\$'000's	59,622	<b>83,661</b>		+24,039	
Dividends per share	cents	17.0	<b>19.5</b>		14.7%	
Interest Cover	times	14.35	<b>14.06</b>		-0.32	
Return on Capital Employed (ROCE)	%	60.4%	<b>66.3%</b>		+590bps	
Capital Expenditure	\$'000's	25,425	<b>26,933</b>		5.9%	

1st HALF						
		H1 2006	H1 2007		CHANGE	
		Reported	Reported	Adjusted	Reported	Adjusted
Sales	\$'000's	362,207	<b>385,240</b>		6.4%	
Same store sales growth	%	-3.0%	<b>1.0%</b>			
Gross Profit margin	%	57.98%	<b>57.15%</b>		-83bps	
EBITDA*	\$'000's	64,053	<b>67,766</b>	<b>65,091</b>	5.8%	1.6%
EBITA*	\$'000's	55,756	<b>58,406</b>	<b>55,731</b>	4.8%	0.0%
EBITA margin*	%	15.4%	<b>15.2%</b>	<b>14.5%</b>	-22bps	-93bps
NPAT*	\$'000's	36,449	<b>39,733</b>	<b>37,131</b>	9.0%	1.9%
Earnings per share*	cents	16.72	<b>18.23</b>	<b>17.02</b>	9.0%	1.8%

2nd HALF						
		H2 2006	H2 2007		CHANGE	
		Reported	Reported	Adjusted	Reported	Adjusted
Sales	\$'000's	335,795	<b>377,182</b>	<b>374,376</b>	12.3%	11.5%
Same store sales growth	%	6.5%	<b>5.7%</b>			
Gross Profit margin**	%	57.2%	<b>57.6%</b>	<b>58.4%</b>	+40bps	+115bps
EBITDA*	\$'000's	41,379	<b>49,486</b>	<b>49,688</b>	19.6%	20.1%
EBITA*	\$'000's	32,516	<b>39,014</b>	<b>39,216</b>	20.0%	20.6%
EBITA margin*	%	9.7%	<b>10.3%</b>	<b>10.5%</b>	+60bps	+74bps
NPAT*	\$'000's	20,760	<b>24,158</b>	<b>24,299</b>	16.4%	17.0%
Earnings per share*	cents	9.52	<b>11.50</b>	<b>11.57</b>	20.8%	21.6%

\* Adjusted to remove the net impact of the investment into and sale of Colorado Limited shares

\*\* Adjusted to remove the intercompany sales between Just Group and its South African associate

## PERFORMANCE BY BRAND

FULL YEAR				
	Stores	Sales	Growth %	LFL Sales %
Just Jeans	270	224,564	3.4%	3.8%
Jay Jays	234	226,986	9.3%	5.4%
Dotti	61	46,020	48.3%	-2.4%
Portmans	122	136,878	5.5%	4.2%
Jacqui E	104	88,973	-0.1%	-3.6%
Peter Alexander	18	36,195	56.2%	17.6%
Group	1			
<b>TOTAL</b>	<b>810</b>	<b>759,616</b>	<b>8.8%</b>	<b>3.5%</b>

1 <sup>ST</sup> HALF				
	Stores	Sales	Growth %	LFL Sales %
Just Jeans	281	113,336	1.7%	1.8%
Jay Jays	228	115,338	7.0%	3.4%
Dotti	59	21,380	49.9%	-6.3%
Portmans	120	69,893	2.0%	1.2%
Jacqui E	103	48,249	-2.6%	-7.1%
Peter Alexander	16	17,044	63.0%	27.7%
Group	1			
<b>TOTAL</b>	<b>808</b>	<b>385,240</b>	<b>6.4%</b>	<b>1.0%</b>

2 <sup>ND</sup> HALF				
	Stores	Sales	Growth %	LFL Sales %
Just Jeans	270	111,225	5.3%	5.5%
Jay Jays	234	111,643	11.9%	7.4%
Dotti	61	24,644	47.1%	3.9%
Portmans	122	66,991	9.6%	7.4%
Jacqui E	104	40,711	2.9%	-0.8%
Peter Alexander	18	19,152	50.5%	7.8%
Group	1			
<b>TOTAL</b>	<b>810</b>	<b>374,376</b>	<b>11.5%</b>	<b>5.7%</b>