

## Pacific Brands 2008 Full Year Results

ASX release - 20 August 2008

***Resilient and innovative business delivered results in line with guidance despite challenging conditions.***

### The year in review

- Full year sales and profit growth delivered
  - Total revenue up 16.3% to \$2,116.6m
  - EBITA increased 18.1% to \$229.1m
- Margins improved
  - EBITA margin of 10.8% for the year - 11.3% in the second-half
- Net Profit After Tax up 11.1% to \$119.3m (pre-amortisation)
- Earnings per share increase of 11.1% to 23.7cps (pre-amortisation)
- Strong cashflow after capital expenditure – up 39.2% to \$157.2m
- Net debt reduced by \$59.5m to \$742.7m
- Improved return on capital
  - Increased return on average capital employed – up 0.6% points
- Increased dividends
  - Final dividend of 8.5 cps, resulting in a 17.0 cps full year dividend
  - Fully Franked to 30% for Australian shareholders

### Drivers of performance

- Category leadership position maintained and strengthened
- Growth of share of market
- Return on investment in icon brands
- Acquisitions integrated seamlessly and performing to plan
- Business to Business (contract uniform) providing growth and increased diversity of revenue sources
- Disposals completed successfully
  - World Brands JV and the NZ Foams, Flooring and Bedding businesses – which contributed \$48.4m in revenue during FY08

## **Reliable and innovative business delivers guidance in a challenging environment**

Commenting on the results Pacific Brands Chief Executive Officer Sue Morphet said “Pacific Brands delivered on its full-year growth guidance, including the first full year of acquired businesses, reaching a record \$2.1 billion in revenue and \$229m of earnings before interest, tax and amortisation. This performance has been achieved during currently challenging trading conditions and demonstrates the resilience of the Pacific Brands business.

Strong and reliable cash flow remained another feature of the Pacific Brands result. Net Operating Cashflow increased 39% to \$157m. Net debt was reduced by 7% to \$743m, with gearing of 2.9 times now back to around its level before the Yakka Group acquisition.

“Despite economic conditions, we remained focussed on core brands and delivered profitable growth.

“We have successfully integrated Globe International’s Streetwear division (Brand Collective) and the Yakka Group business into Pacific Brands. Both are performing to expectations.

“The entire Pacific Brands business grew sales by 16.3% in the year and EBITA by 18.1%.

“Our performance has been driven by our ability to continually deliver highly desired products to our retailers and consumers. Our ongoing product innovation and marketing capability has ensured that we continue to maintain category leadership. Category leadership means we are the anchor supplier in key categories for Australia’s major retailers.

“Despite its stable of strong brands, Pacific Brands has not been completely immune to the recent downturn. We have found the top-end manchester market and women’s fashion footwear to be particularly sensitive to the change in consumer sentiment.

“The strength of the Pacific Brands sourcing and distribution capability allowed us to successfully navigate changing market conditions. Inventory turn improved and total capital employed reduced by \$41m without affecting our high delivery standards and improving our return on average capital employed by 0.6 percentage points.” Ms. Morphet continued.

The Board has decided to declare a final dividend of 8.5 cents per share, providing shareholders with a full year 17.0 cents per share dividend.”

## **FY09 and beyond**

“Economic commentators generally predict flat to negative retail sales for the remainder of calendar 2008, with recovery emerging in 2009. Consistent with our second half, we are well positioned for the down-turn delivering the staple brands of choice for customers and consumers. Our focus during this period will be on growing market share. Based on the economic outlook, we expect FY09 like for like sales growth of 2-3% EBITA, NPAT and EPS growth of 3-5%, while maintaining strong cashflow. We will achieve this through tight control of expenses, targeted and tailored marketing investment and ensuring an inventory balance consistent with sales.

We will provide an update at our Annual General Meeting in October as ongoing conditions become clearer.

“Against a backdrop of flat to negative economic outlook for retail for the first half at least, we are focussed on ensuring the business is trading at peak performance and ready to capitalise on the eventual upturn in activity.

“Acquiring and integrating Yakka, Sheridan and Brand Collective has strengthened our resilience. Having increased the diversity of our product and customer base, we are better

able to trade through the market conditions we are experiencing now. We are well placed to capitalise on the opportunities that will arise as conditions eventually improve.

“We will continue to invest in and improve our consumer knowledge and insight capabilities. These insights and the resulting product innovations are a key competitive edge for Pacific Brands.

Sue Morphet concluded “Pacific Brands is a resilient and reliable business - readied for tough trading conditions and eventual market improvements. We are and will drive the business harder, smarter and faster to maintain category leadership and continue to improve shareholder returns by investing in our strengths.

For further information contact:

**Investors**

Brent Dankesreither  
Manager – Investor Relations  
Pacific Brands  
+ 61 3 9947 4926  
bdankesreither@pacbrands.com.au

**Media**

Peter Mahon  
Chief Executive  
Royce Communications  
+61 3 9639 2300  
+61 418 351 754

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## Pacific Brands Full Year Results

Year ended 30 June 2008

Full Year (A \$ million)	FY07	FY08	% Chg
Total net sales	1,820.7	2,116.6	16.3
EBITDA	216.4	253.0	16.9
EBITA	194.0	229.1	18.1
EBIT	192.3	226.1	17.6
EBITA margin %	10.6	10.8	
NPAT (pre-amortisation)	107.3	119.3	11.2
Reported NPAT (post minority interests)	106.0	116.6	10.0
EPS (pre-amortisation) cents	21.3	23.7	
EPS (reported) cents	21.1	23.2	
DPS (cents)	16.5	17.0	

By Group (A \$ million)	FY07	FY08	% Chg	Comment
<i>Underwear &amp; Hosiery</i>				
Total net sales	630.0	637.3	1.2%	Number 1&2 women's underwear brands. Number 1,2 & 3 intimates brands. Number 1,2 & 3 sock brands. Improved EBIT margin on back of strong branded and product centric campaigns. Legwear trend remains strong. Australian sales growth 3.3%.
EBITA	93.7	101.4	8.2%	
EBITA margin %	14.9%	15.9%	+1.0%	
<i>Outerwear &amp; Sport</i>				
Total net sales	363.2	656.3	80.7%	Number 1&2 workwear brands. Includes first full year of Yakka Group and Brand Collective. Underlying businesses returned to profitable growth following restructuring in prior year. Strong opportunity for further growth through contract uniform business.
EBITA	27.0	58.2	115.6%	
EBITA margin %	7.4%	8.9%	+1.5%	
<i>Home Comfort</i>				
Total net sales	517.1	524.9	1.5%	Number 1 linen / towel brand. Slowing manchester market in 2H, but strong growth in pillows / quilts / mattresses. Flooring performed well, while Foam held its market leading position in a tough market.
EBITA	45.5	49.7	9.2%	
EBITA margin %	8.8%	9.5%	+0.7%	
<i>Footwear</i>				
Total net sales	280.1	270.8	(3.3%)	The women's fashion footwear category continued to struggle through the year. Grosby struggled in 2H. However, Merrell and Volley continued their strong segment performance on the back of strong product and highly targeted and successful brand campaigns.
EBITA	37.3	36.4	(2.4%)	
EBITA margin %	13.3%	13.4%	+0.1%	
<i>Other</i>	30.4	27.3	(10.2%)	Includes Clearance Stores