

ASX/media release

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Noni B FY2011 results

Noni B Limited (ASX:NBL), the fashion retailer, today announced an after-tax profit of \$0.7 million for FY2011 (FY2010: \$3.9 million) before impairment of goodwill. This result is in line with market guidance in July. The statutory result, after impairment of goodwill relating to the company's initial public offer in 2000 of \$0.4 million, was an after-tax profit of \$0.2 million. Sales revenue was \$117.3 million, in line with FY2010 (\$117.4 million), although comparable store revenue was down 1.0 per cent. Average full price margin was higher, but discounting to meet the market resulted in a small decline in gross profit margin. Stock-turn increased and inventory at the end of the financial year was 10 per cent lower than a year earlier.

Cash flow remains strong and the company has no bank borrowings.

Due to the uncertain retail outlook, the directors have decided it would be prudent not to pay a final dividend. A fully franked interim dividend of 1 cent per share was paid in April 2011.

Results summary for the year	FY2011 (\$000)	FY2010 (\$000)	% change
Sales revenue	117,286	117,368	(0.1)
Underlying earnings before interest, tax, depreciation and amortisation (before goodwill impairment)	4,635	9,485	(51.1)
Underlying earnings before interest and tax (before goodwill impairment)	855	5,532	(84.5)
Profit before tax and goodwill impairment	1,026	5,614	(81.7)
Profit after tax before goodwill impairment	669	3,876	(82.7)
Goodwill impairment	438	-	-
Statutory profit after tax and goodwill impairment	231	3,876	(94.0)
Earnings per share* (cents)	2.1	12.1	(94.0)
Final dividend per share – fully franked (cents)	0.0	3.0	-
Full year dividends – fully franked (cents)	1.0	9.0	-
*Earnings per share before goodwill impairment			

Review of operations

'In this very challenging retail environment, we have continued to refine all parts of the business so we benefit fully from an improvement in consumer confidence, whenever that may come. Following in-depth research into customer attitudes earlier this year, we are also progressing initiatives to ensure Noni B maintains its strong market position as consumers change their buying habits,' said David Kindl, joint managing director.

'During the past three years we have reviewed our business model in detail and have made changes where necessary. Management has been restructured, supplier terms have been improved, expenses have been reduced wherever possible, and store staffing rosters have been adjusted so they are aligned more closely with demand.

'Following these changes, we believe Noni B is well placed to increase our share of the fashion market and to benefit as consumer confidence returns.

'We have opened new stores where we can negotiate attractive leasing terms, especially sharing risk with the landlord. It is pleasing that eight new stores were opened in FY2011 compared with seven in FY2010. There has also been a strong focus on the individual performance of each store and seven underperforming stores were closed in both FY2011 and FY2010. As a result of the current economic situation, we have been able to negotiate a decrease in base rent for store leases renewed in FY2011.

'Recognising the importance of service in maintaining the loyalty of customers and differentiating Noni B, we have increased our investment in training and all store managers have now completed an externally recognised qualification in Retail Studies. During the year we successfully negotiated a new enterprise agreement with our staff, lasting until 2013.

Planning for the future

'We have recognised for some time that many of the changes in retail behaviour are permanent, with more people expecting retailers to offer online sales, and that we need to satisfy customers whether they want to shop instore or online. Next month, therefore, we will launch an online store.

'We expect, however, that most of our customers will choose to visit our stores to receive the personal service and advice for which Noni B is well known.

'We are under-represented in Victoria and Queensland and are currently looking for opportunities to open further stores in these states. Our most recent store, on a regional high street, had our best opening day's sales for over three years.

'In order to further differentiate Noni B and highlight the value our store staff can provide, we have introduced a 'personal styling session by appointment' in our stores, offering advice on how a customer can look her best. All our store managers have been trained to offer this advice, and we are planning to promote this service more widely during the coming year to attract increased traffic to our stores.

'One of Noni B's great strengths is our 'loyalty club' database of over one million names and addresses, including approximately 500,000 people who have shopped at Noni B in the past 18 months; we have introduced a program to increase our engagement with them through email and this has been extended to Twitter and Facebook. Ninety-one thousand new names were added to the database in FY2011, enabling us to promote new ranges and special offers cost-effectively.

We will continue to invest in our loyalty club with a focus on reinvigorating members who have not shopped at our stores since the beginning of the global financial crisis

Outlook

‘While we are not expecting consumer confidence to improve significantly in the short term, we are confident that, following the many initiatives we have taken, Noni B is well placed to bounce back when demand grows. We are continuing to manage inventory and costs tightly and to progress plans to enable the company to prosper in the new retail environment,’ said Mr Kindl.

Noni B Limited, founded in 1977, is one of Australia’s leading fashion retailers, with 214 stores nationally. Noni B differentiates itself by focusing on superior service, style and fit. Our dedicated team is passionate about providing women with an instore experience where personalised advice is the basis of great customer service, and our styles are designed to make our customers look and feel good through day and evening, even when they travel. The exclusive Noni B and Liz Jordan designer collections offer classic and stylish contemporary fashion for today’s woman.

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