



Parkson Retail Asia Limited
Financial Results Presentation
Q4 FY2014

21 August 2014



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Overview

Overview

Business Environment

- Same Store Sales Growth (“SSSG”), by countries:

| SSSG | Quarter ended | | Year ended | |
|-----------|---------------|------------|------------|------------|
| | 30.06.2014 | 30.06.2013 | 30.06.2014 | 30.06.2013 |
| Malaysia | -0.8% | +0.6% | -0.1% | +4.5% |
| Vietnam | -5.4% | +1.1% | -4.2% | -0.7% |
| Indonesia | +4.3% | +8.5% | +6.0% | +5.6% |

- SSSG for Malaysia :
 - SSSG relatively flat at -0.8% for the reported quarter.
 - consumer sentiment index reported by MIER was subdued, remaining marginally above the 100-point threshold of confidence at 100.1.
- SSSG for Vietnam :
 - decline in SSSG at -5.4% for the reported quarter.
 - Hanoi stores especially affected by significant increase in new retail space amid a weak retail environment.
- SSSG for Indonesia :
 - SSSG at +4.3% for the reported quarter.
 - consumer confidence index reported by BI remained above the 100-point confidence threshold at 115.7.
 - store in Bali especially benefitted from increased tourist arrivals driven by the weak currency and improved flight connectivity.

Financial Summary

| | Group | | | | | | | | |
|---|---------------------------|------------|---------|------------------------|------------|---------|---|------------|---------|
| | Reported Quarter ended | | | Reported Year ended | | | Like-for-Like Comparable* Year ended | | |
| | 30.06.2014 | 30.06.2013 | + / (-) | 30.06.2014 | 30.06.2013 | + / (-) | 30.06.2014 | 30.06.2013 | + / (-) |
| S\$'000 | S\$'000 (restated) | % | S\$'000 | S\$'000 (restated) | % | S\$'000 | S\$'000 | % | |
| Gross Sales Proceeds | 246,049 | 251,552 | (2.2) | 1,077,892 | 1,109,387 | (2.8) | 1,034,673 | 1,079,415 | (4.1) |
| Revenue | 99,176 | 103,347 | (4.0) | 432,038 | 446,728 | (3.3) | 417,943 | 436,237 | (4.2) |
| Profit Before Tax | 3,089 | 3,644 | (15.2) | 46,813 | 52,980 | (11.6) | 53,341 | 52,902 | 0.8 |
| Net Profit attributable to owners of the Company | 3,170 | 4,945 | (35.9) | 34,557 | 39,503 | (12.5) | 39,450 | 39,438 | 0.0 |

* The like-for-like comparable figures are provided for comparison purpose only, and do not form part of the financial statements prepared under the accounting standards nor under the disclosure requirements of the Singapore Exchange. These like-for-like comparable figures are computed on same store basis (i.e. excluding the operating results of new stores and closed stores for the years FY2014 and FY2013).

- Reported topline figures (GSP and revenue) declined for the quarter and financial year, impacted by :
 - negative SSSG for Vietnam.
 - local currency weakness.
 - lost sales from closed stores (3 temporary and 1 permanent closure).
- On same store basis, GSP and revenue for year FY2014 recorded declines of (4.1)% and (4.2)% respectively.
- On same store basis and excluding currency impact, GSP and revenue for year FY2014 remained flat.

- 
- Reported pre-tax profit declined for the quarter and financial year, impacted by :
 - de-leveraging impact from negative SSSG in Vietnam.
 - initial loss-making periods of new stores (including pre-opening expenses).
 - absence of gross profit contribution from temporarily closed stores.
 - local currency weakness.
 - On same store basis, pre-tax profit for year FY2014 recorded marginal increase of 0.8%.
 - On same store basis and excluding currency impact, pre-tax profit for year FY2014 increased by 5.4%.
 - Decline in reported pre-tax profit mitigated by improvement in gross profit margin (Q4 FY2014 by 90 bps and year FY2014 by 70 bps).
 - On same store basis and excluding currency impact, attributable net profit for year FY2014 increased by 4.5%.

Segmental Profit Before Tax

| | Group | | | | | |
|--|---------------|------------|----------|------------|------------|----------|
| | Quarter ended | | | Year ended | | |
| | 30.06.2014 | 30.06.2013 | + / (-) | 30.06.2014 | 30.06.2013 | + / (-) |
| | S\$'000 | S\$'000 | % | S\$'000 | S\$'000 | % |
| PBT Summary | | | | | | |
| Like-for-like, on same store basis | | | | | | |
| Malaysia | 7,374 | 4,533 | 62.7 | 48,229 | 45,438 | 6.1 |
| Vietnam | (1,319) | (219) | >(100.0) | (509) | 3,290 | >(100.0) |
| Indonesia | 1,188 | 80 | >100.0 | 5,951 | 5,441 | 9.4 |
| Share of profits of an associate (Sri Lanka) | (15) | 35 | >(100.0) | 879 | 724 | 21.4 |
| Investment holding / Others | (562) | (335) | (67.8) | (1,209) | (1,991) | 39.3 |
| PBT (same store basis) | 6,666 | 4,094 | 62.8 | 53,341 | 52,902 | 0.8 |
| PBT / (Losses) of new and closed stores | | | | | | |
| Malaysia | (842) | (367) | >(100.0) | (1,054) | 340 | >(100.0) |
| Vietnam | (1,000) | - | >(100.0) | (1,265) | - | >(100.0) |
| Indonesia | (1,370) | (1) | >(100.0) | (3,250) | (98) | >(100.0) |
| Myanmar | (365) | (82) | >(100.0) | (959) | (164) | >(100.0) |
| Group PBT | 3,089 | 3,644 | (15.2) | 46,813 | 52,980 | (11.6) |

- On same store basis, pre-tax profit for Malaysia for the year FY2014 increased by 6.1%. The Malaysia operations recorded improved gross profit margin by 110 bps and lower operating expenses. On same store and same currency basis, pre-tax profit for Malaysia for the year increased by 9.9%.
- On same store basis, pre-tax profit for Vietnam declined by >(100.0)% due to the de-leveraging impact from the negative SSSG and compounded by costs pressure.
- On same store basis, pre-tax profit for Indonesia for the year increased by 9.4% due to positive leverage impact from increase in SSSG and absence of non-recurrent costs incurred in the preceding year. On same store and same currency basis, pre-tax profit for Indonesia increased by 27.1%.
- Investment holding / Others recorded a decline in loss position by 39.3% due largely to recognition of net exchange gain in the year and the absence of non-recurring costs incurred in the preceding year.

PBT Variance (percentage terms)

Comparing the pre-tax profit variances for the (i) reported numbers, (ii) same store numbers and (iii) same store, same currency numbers across the Group's 3 main markets:

| PBT variance (comparing the year FY2014 vs year FY2013) | Reported | Same store | Same store, same currency |
|--|--------------------|--------------------|--------------------------------------|
| | +/(-) % | +/(-) % | +/(-) % |
| Malaysia | 3.1 | 6.1 | 9.9 |
| Vietnam | >(100.0) | >(100.0) | >(100.0) |
| Indonesia | (49.4) | 9.4 | 27.1 |
| Group | (11.6) | 0.8 | 5.4 |

Outlook

The operating environments in Malaysia and Vietnam are expected to remain challenging going into the next reporting quarter Q1 FY2015. Consumer discretionary spending in Malaysia is expected to remain muted due to inflationary pressure from the cuts in government subsidies and regulatory measures to control household debt. The discretionary retail outlook for Vietnam remains difficult, despite signs of economic stability, with indication of weak consumer sentiment and increase in household savings rate.

The consumer spending in Indonesia is expected to remain largely optimistic as indicated by Bank Indonesia's consumer confidence index for the 2nd quarter calendar year 2014 remaining above the 100-point confidence threshold at 115.7 points.

Dividend

The Board has recommended a final dividend of 2.5 cents per share (one-tier, tax-exempt), subject to the approval of shareholders. Including the special interim dividend of 3.0 cents per share paid on 20 June 2014, the total dividend for the financial year FY2014 is 5.5 cents per share.



Financial Statements

Unaudited consolidated Income Statement

For the financial year ended 30 June

| (S\$'000) | Group | | | | | |
|---|------------------|-----------------------|--------------------|------------------|-----------------------|---------------|
| | Quarter ended | | | Year ended | | |
| | 30.06.2014 | 30.06.2013 | +/(-) | 30.06.2014 | 30.06.2013 | +/(-) |
| | S\$'000 | S\$'000 (restated) | % | S\$'000 | S\$'000 (restated) | % |
| Gross Sales Proceeds | 246,049 | 251,552 | (2.2) | 1,077,892 | 1,109,387 | (2.8) |
| - Direct sales | 48,366 | 53,081 | (8.9) | 210,298 | 223,358 | (5.8) |
| - Concessionaire sales | 193,170 | 193,578 | (0.2) | 851,306 | 868,354 | (2.0) |
| - Consultancy & management service fees | 209 | 294 | (28.9) | 1,044 | 1,231 | (15.2) |
| - Rental income | 4,304 | 4,599 | (6.4) | 15,244 | 16,444 | (7.3) |
| Revenue | 99,176 | 103,347 | (4.0) | 432,038 | 446,728 | (3.3) |
| Other income | 4,389 | 2,690 | 63.2 | 14,268 | 12,406 | 15.0 |
| Total expenses | (100,461) | (102,428) | (1.9) | (400,372) | (406,878) | (1.6) |
| - Changes in merchandise inventories and consumables | (38,749) | (43,656) | (11.2) | (167,449) | (181,731) | (7.9) |
| - Employee benefits expense | (12,450) | (12,988) | (4.1) | (49,524) | (47,587) | 4.1 |
| - Depreciation & amortisation | (5,231) | (5,133) | 1.9 | (20,365) | (19,610) | 3.9 |
| - Rental expenses | (27,635) | (27,144) | 1.8 | (103,308) | (101,049) | 2.2 |
| - Finance costs | (329) | (188) | 75.0 | (675) | (362) | 86.5 |
| - Other expenses | (16,067) | (13,319) | 20.6 | (59,051) | (56,539) | 4.4 |
| Share of profits of an associate | (15) | 35 | >(100.0) | 879 | 724 | 21.4 |
| Profit before tax | 3,089 | 3,644 | (15.2) | 46,813 | 52,980 | (11.6) |
| Net profit | 2,995 | 4,258 | (29.7) | 33,117 | 37,946 | (12.7) |
| Net profit attributable to owners | 3,170 | 4,945 | (35.9) | 34,557 | 39,503 | (12.5) |

Unaudited consolidated Statement of Financial Position

| (S\$'000) | As at 30 Jun 2014 (a) | As at 30 Jun 2013 (restated) (b) | % Change (a)-(b) / (b) |
|----------------------------------|---------------------------------|---|---------------------------|
| Total Assets | 419,838 | 437,642 | -4.1% |
| - Non-current assets | 169,233 | 164,655 | +2.8% |
| - Current assets | 250,605 | 272,987 | -8.2% |
| <i>Cash and cash equivalents</i> | <i>150,881</i> | <i>176,830</i> | <i>-14.7%</i> |
| Total Liabilities | 179,941 | 179,820 | +0.1% |
| - Current liabilities | 171,104 | 172,300 | -0.7% |
| - Non-current liabilities | 8,837 | 7,520 | +17.5% |
| Net assets | 239,897 | 257,822 | -7.0% |
| Represented by, | 239,897 | 257,822 | -7.0% |
| - Equity and reserves | 238,860 | 255,336 | -6.5% |
| - Non-controlling interests | 1,037 | 2,486 | -58.3% |

Unaudited consolidated Statement of Cash Flows

For the financial year ended 30 June

| (S\$'000) | Q4 FY2014 | Q4 FY2013 (restated) | +/(-) % | Year FY2014 | Year FY2013 (restated) | +/(-) % |
|--|--------------|----------------------------|------------|----------------|------------------------------|------------|
| Net cash generated from / (used in) operating activities | 12,666 | (1,472) | >+100.0% | 55,571 | 49,844 | +11.5% |
| Net cash used in investing activities | (7,084) | (4,170) | -69.9% | (37,708) | (44,488) | +15.2% |
| Net cash used in financing activities | (20,319) | - | >-100.0% | (38,606) | (19,184) | >-100.0% |
| Net decrease in cash and cash equivalents | (14,737) | (5,642) | >-100.0% | (20,743) | (13,828) | -50.0% |
| Cash and cash equivalents at beginning of financial period | 164,433 | 182,601 | -9.9% | 176,830 | 190,290 | -7.1% |
| Effect of currency translation on cash & cash equivalents | 1,185 | (129) | >+100.0% | (5,206) | 368 | >-100.0% |
| Cash and cash equivalents at end of financial period | 150,881 | 176,830 | -14.7% | 150,881 | 176,830 | -14.7% |

Segment results

For the financial year ended 30 June

| Group | Malaysia | Vietnam | Indonesia | Myanmar | Unallocated | Total |
|--|----------------|----------------|----------------|--------------|-------------|------------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Year ended 30.06.2014 | | | | | | |
| Gross Sales Proceeds | 771,698 | 158,352 | 143,241 | 4,601 | - | 1,077,892 |
| Revenue | 333,741 | 42,762 | 53,748 | 1,787 | - | 432,038 |
| Segment Results: | | | | | | |
| Depreciation and amortisation | (12,243) | (4,292) | (3,560) | (270) | - | (20,365) |
| Rental expenses | (64,762) | (22,001) | (15,548) | (997) | - | (103,308) |
| Finance income | 5,231 | 1,322 | 385 | - | 35 | 6,973 |
| Finance costs | (132) | (543) | - | - | - | (675) |
| Taxation | (13,492) | (33) | (2) | - | (169) | (13,696) |
| Segment profit | 33,683 | (1,807) | 2,699 | (959) | (499) | 33,117 |
| Year ended 30.06.2013 (restated) | | | | | | |
| Gross Sales Proceeds | 814,163 | 156,977 | 137,537 | 710 | - | 1,109,387 |
| Revenue | 350,194 | 43,808 | 52,498 | 228 | - | 446,728 |
| Segment Results: | | | | | | |
| Depreciation and amortisation | (11,969) | (4,118) | (3,490) | (33) | - | (19,610) |
| Rental expenses | (66,755) | (20,522) | (13,651) | (121) | - | (101,049) |
| Finance income | 3,942 | 1,484 | 186 | - | 202 | 5,814 |
| Finance costs | (52) | (310) | - | - | - | (362) |
| Taxation | (11,879) | (1,752) | (1,320) | - | (83) | (15,034) |
| Segment profit | 33,898 | 1,538 | 4,023 | (164) | (1,349) | 37,946 |



Operational Highlights

Geographic footprint



Malaysia

- Number of stores: 39
- Approx. GFA (leased): 415,000 sqm



Indonesia

- Number of stores: 14
- Approx. GFA (leased): 136,000 sqm



Myanmar

- Number of store: 1
- Approx. GFA (leased): 4,000 sqm



Vietnam

- Number of stores: 9
- Approx. GFA (leased): 98,000 sqm
- Approx. GFA (owned): 23,000 sqm
- Approx. GFA (managed): 51,000 sqm



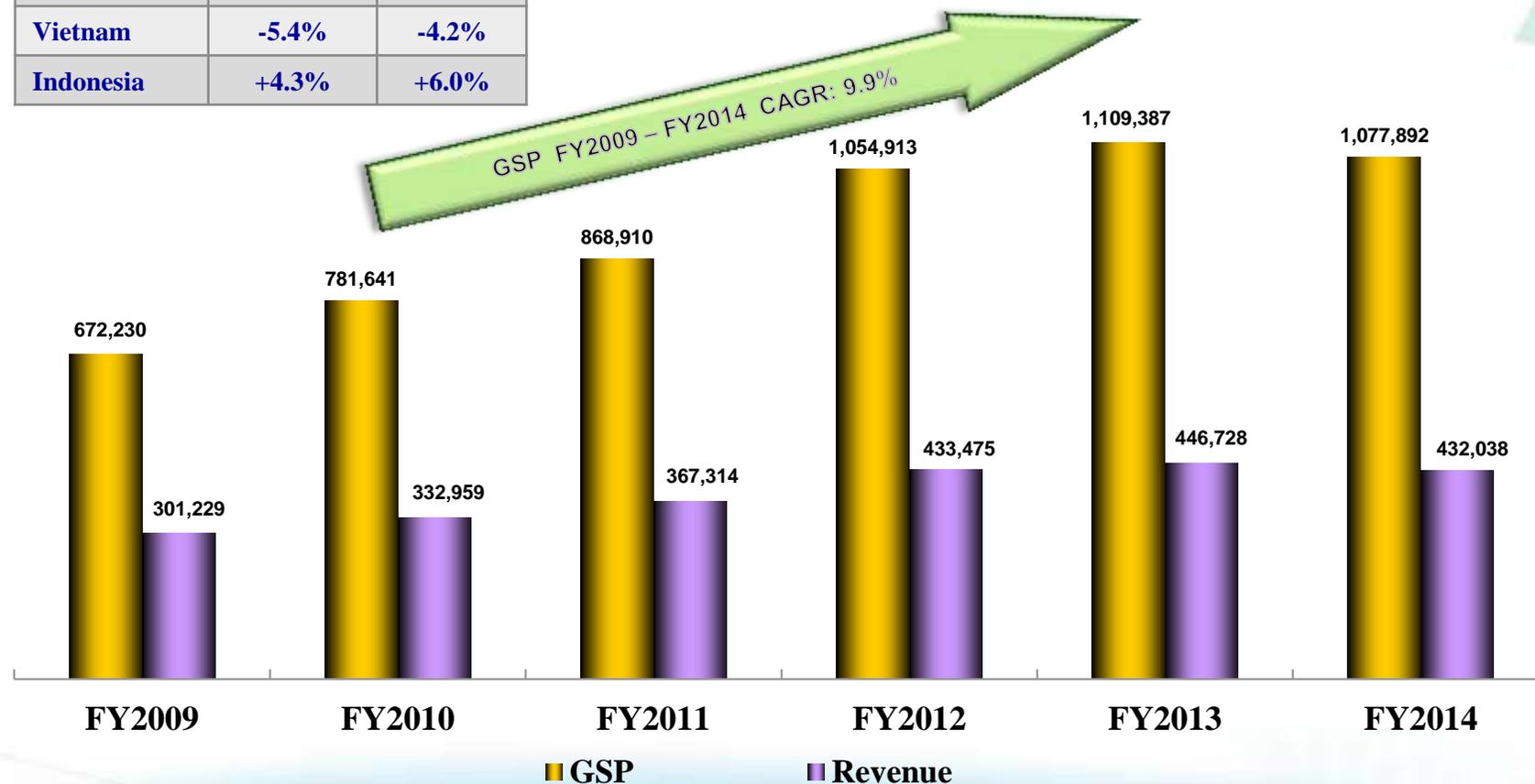
PRA's department store network comprised 63 stores in Malaysia, Vietnam, Indonesia and Myanmar, spanning approx. 727,000 sqm of gross floor area⁽¹⁾

1. PRA also has a 47.46% interest in an associate, Odel PLC, of Sri Lanka which operates 20 stores covering floor space of about 17,000 sqm.
2. Figures current as at 30 June 2014.

Gross Sales Proceeds, Revenue and SSS Growth

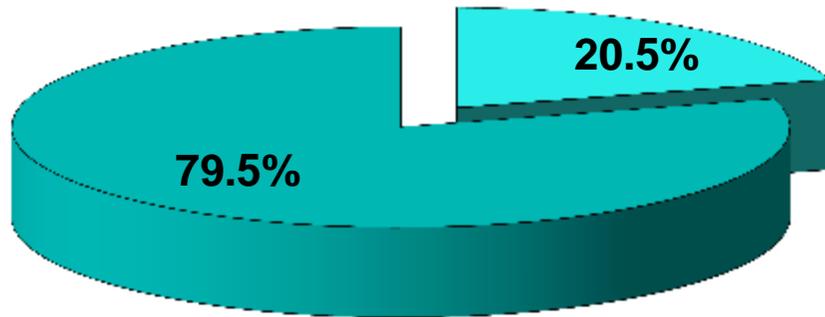
Overall top line growth

| SSSG | Q4 FY2014 | FY2014 |
|-----------|-----------|--------|
| Malaysia | -0.8% | -0.1% |
| Vietnam | -5.4% | -4.2% |
| Indonesia | +4.3% | +6.0% |

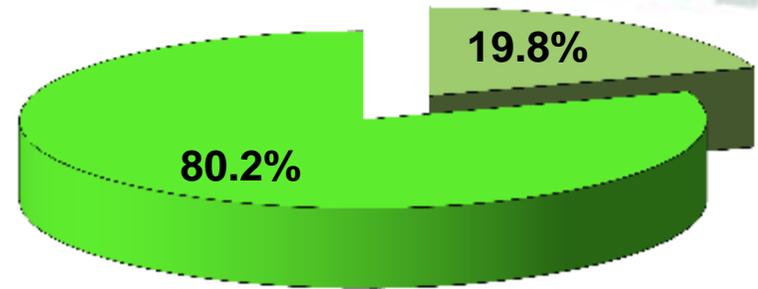


Merchandise Sales Mix

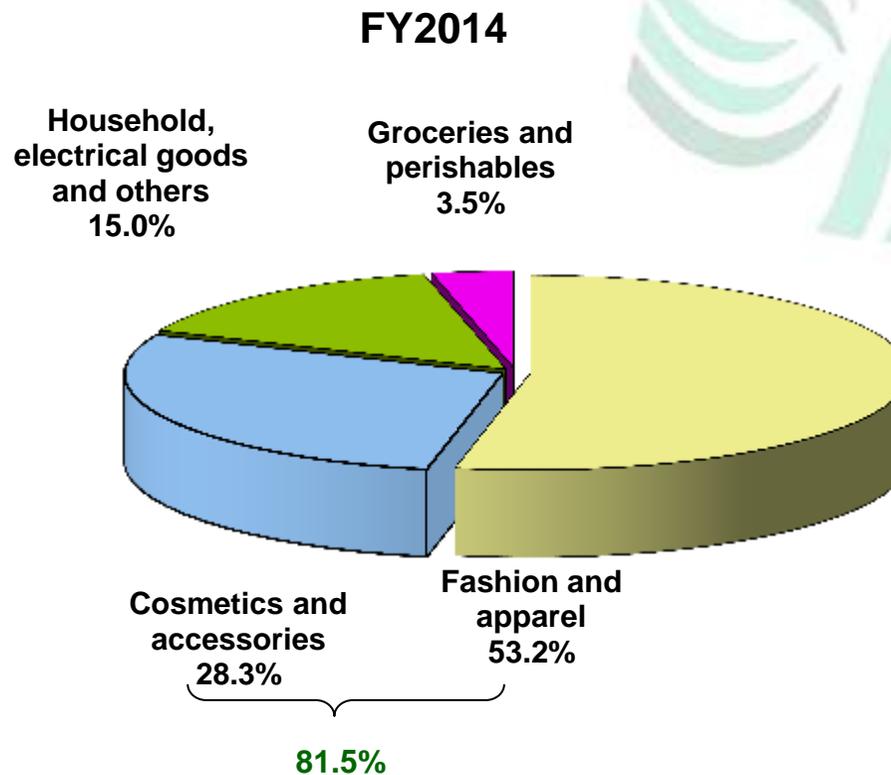
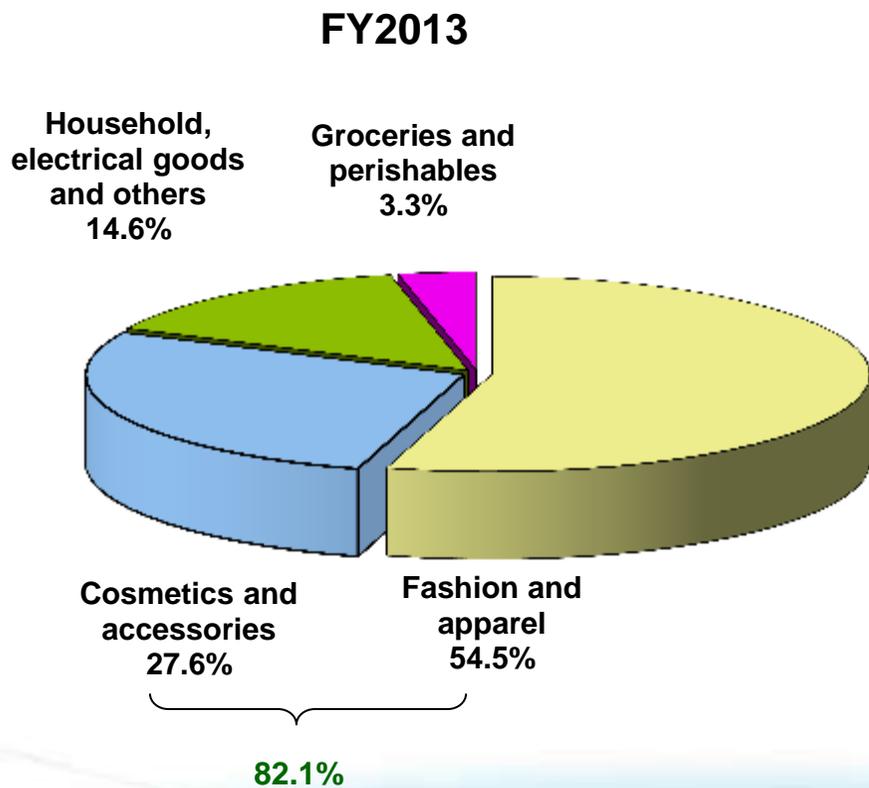
FY2013



FY2014

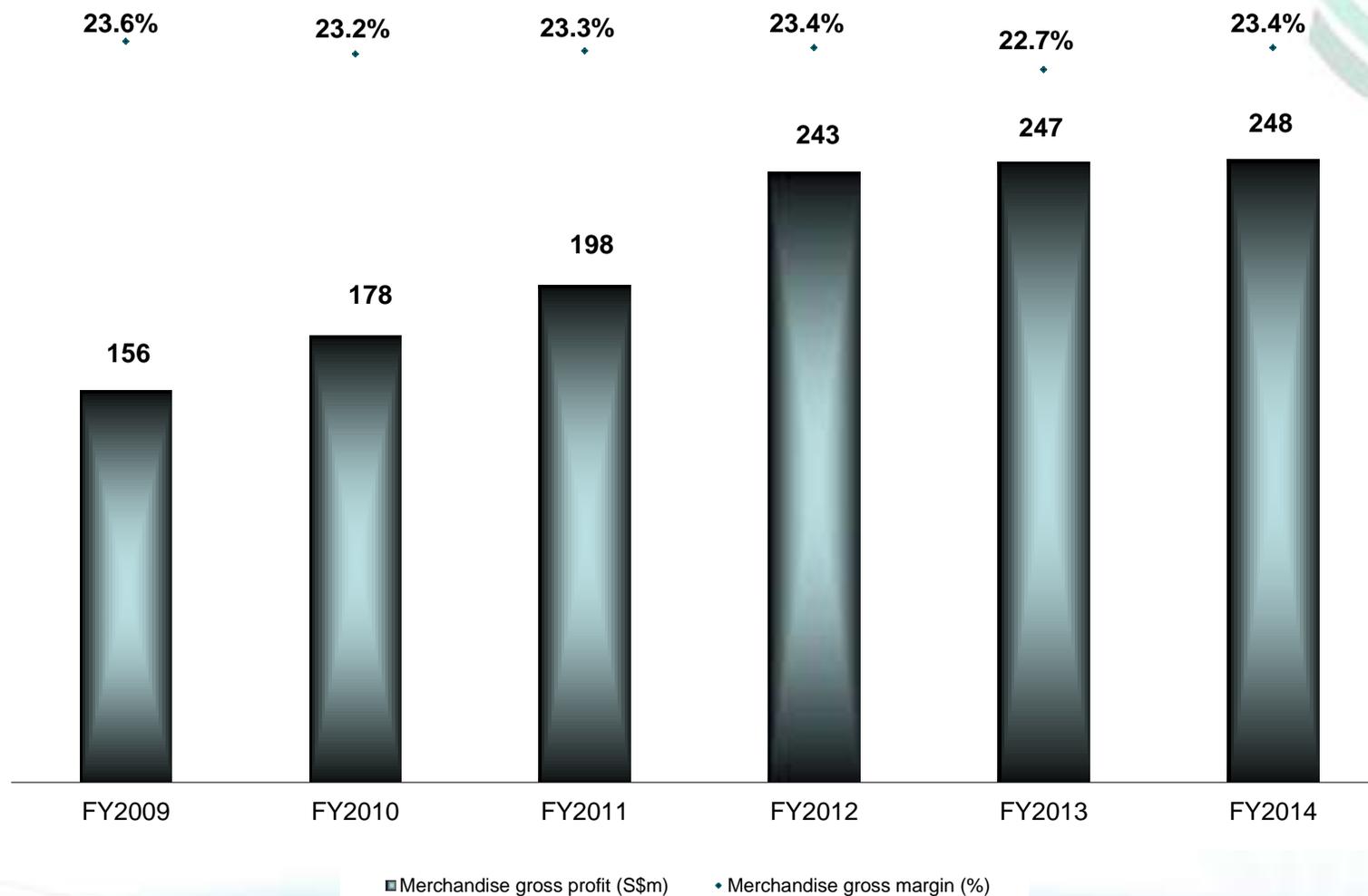


Merchandise sales mostly from fashion and cosmetics segments



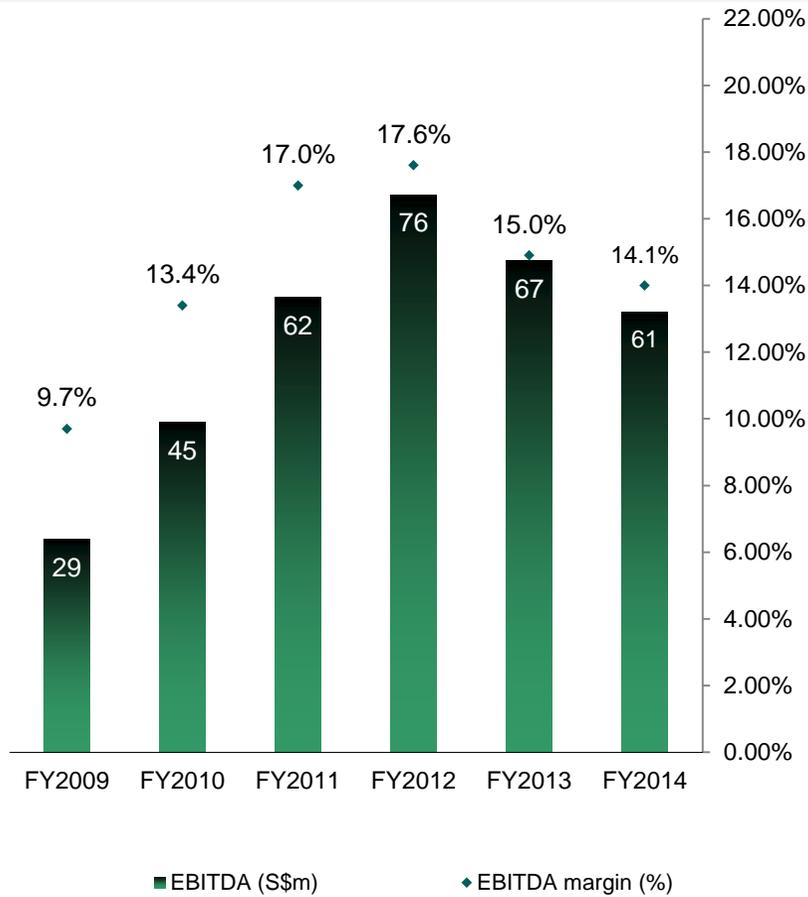
Blended gross margins

Merchandise gross margin (including both direct sales and concessionaire sales)

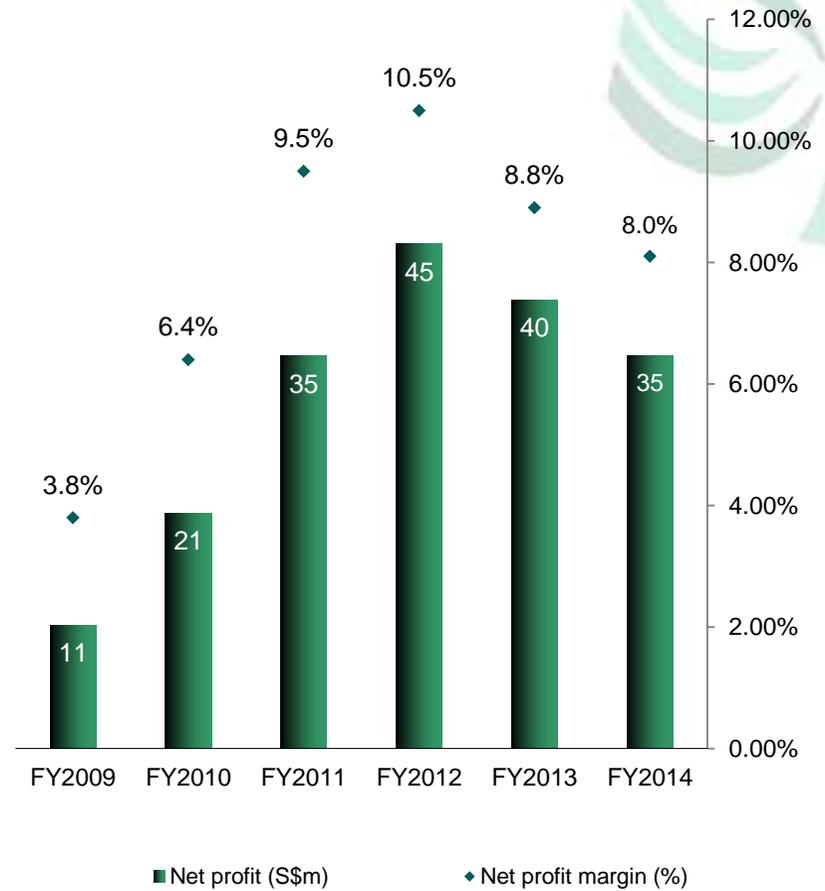


Profit margins

EBITDA⁽¹⁾



Net profit attributable to Owners of the Company



1. EBITDA is defined as profit before tax less finance costs and income, and depreciation and amortisation expenses

Going Forward



Strategies

- Improving productivity and enhancing market share.
- Target a healthy SSS growth through more targeted promotional activities and improving productivity of the floor space.
- Target a healthy margin improvement through adjustment in merchandise mix, better control of promotional related expenses and tighter stock shrinkage control.
- Continue to increase operating area by opening new stores.
- Continue to remodel and refurbish the existing outlets.
- Continue to upgrade brand mix in line with each individual market to increase ticket value and transaction size.
- Enhance cost rationalisation to improve operating efficiency.
- Build economies of scale in the Indonesian operations.
- Expand the Sri Lanka operations through store openings and development of own floor space.

THANK YOU

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