Date
07 June 2018

Theme
Company Update

Company
Noni B (NBL)

WILSONS

BUY: Acquisition may signal the end of discounting in mature womenswear

Noni B Group has agreed to acquire 5 brands from Specialty Fashion Group. Funded by a $40m equity raising, the $31m transaction includes Millers, Katies, Crossroads, Rivers and Autograph brands and is expected to settle in July 2018. We expect Noni B Groups' market position to improve materially and forecast 1,404 stores and turnover of ~$892m in FY19e. We forecast efficiencies of $30m and $31.5m in FY19e and FY20e respectively and as a result, our valuation +21.2% to $4.74/share. BUY.

Key points

Valuation: Our valuation +21.2% to $4.74/share reflects a FY20e PE of 7.2x, -43.7% vs peers and -36.7% vs MYR despite EPS growth of +150.2% yoy.

Equity raising: NBL successfully raised $40.0m through a 1:13 pro rata accelerated non-renounceable entitlement offer ($15.5m) and institutional placement ($24.5m) of new shares at $2.50/share. NBL has raised excess capital to cover transaction and restructuring costs and provide additional working capital for the acquired assets as they are restructured.

Synergies: We forecast NBLs' EBITDA to be favourably impacted by $30m and $31.5m of efficiencies in FY19e and FY20e respectively. Efficiencies are achievable given: (i) SFH's head office cost per brand is 86.7% higher than NBL's, (ii) NBL's CEO, Scott Evens, ran Millers (largest brand by stores in the Acquired Portfolio) between 2007-13; and (iii) NBL will control 11.7% of the Australian womenswear market and reduce discounting in its main categories.

Rivers' future: SFH has advised Rivers is break-even. While we expect management to focus on the low-hanging efficiencies near term, a divestment of Rivers will undoubtedly have a positive impact on group gross margins.

Succession planning: NBL's total stores increase 116.3% to 1,395 following the acquisition. We understand management have begun the search for two additional executives to support CEO – Scott Evans. We view this favourably as while it assists in the transition it facilities succession planning within the group.

Store closures: Our proprietary analysis indicates after closing 21 stores between the 8th of February and 27th April, SFH's store closures accelerated to 13 in May, with the majority of closures in Qld (5), NSW (3) and Vic (3).

Risks and catalysts

Risks: 1) continued aggressive discounting by peers; 2) rapid decline in broader retail sales and consumer confidence and; 3) successful succession planning.

Catalysts: 1) announcement of further accretive acquisitions; and 2) update from Specialty Fashion Group in August 2018.

Recommendation	**BUY**
12-mth target price (AUD)	**$4.74**
Share price @ 06-Jun-18 (AUD)	$2.89
Forecast 12-mth capital return	63.9%
Forecast 12-mth dividend yield	4.3%
12-mth total shareholder return	**68.2%**

Market cap	$248m
Enterprise value	$235m
Shares on issue	86m
Sold short	0.1%
ASX 300 weight	n/a
Median turnover/day	$0.1m

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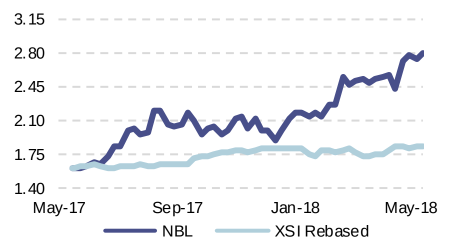
12-mth price performance ($)



	1-mth	6-mth	12-mth
Abs return (%)	8.1	43.6	84.7
Rel return (%)	6.5	40.3	69.8

Earnings forecasts

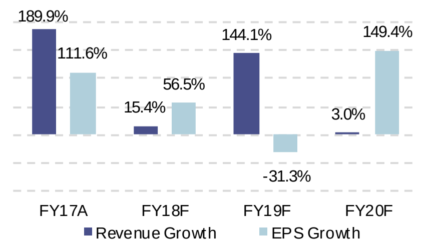
Year-end June (AUD)	FY16A	FY17A	FY18F	FY19F	FY20F
NPAT rep ($m)	2.4	3.3	19.1	11.5	37.4
NPAT norm ($m)	2.5	9.0	19.2	15.0	37.5
Consensus NPAT ($m)			17.6	24.6	31.8
EPS norm (cps)	6.9	14.6	22.8	15.7	39.0
EPS growth (%)	150.4	111.6	56.5	-31.3	149.4
P/E norm (x)	42.0	19.9	12.7	18.5	7.4
EV/EBITDA (x)	40.5	10.2	6.2	5.1	3.0
FCF yield (%)	3.1	13.5	7.2	5.5	9.6
DPS (cps)	0.0	0.0	14.0	12.1	23.0
Dividend yield (%)	0.0	0.0	4.8	4.2	8.0
Franking (%)	0	0	100	100	100

Source: Company data, Wilsons estimates, S&P Capital IQ

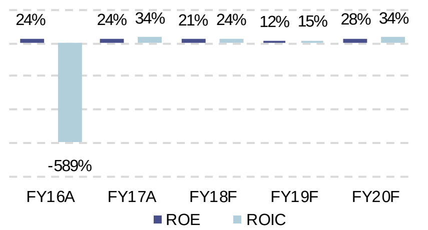
Key changes

		19-Apr	After	Var %
NPAT:	**FY18F**	19.2	19.2	0.0%
norm	**FY19F**	24.7	15.0	-39.2%
($m)	**FY20F**	31.3	37.5	19.5%
EPS:	**FY18F**	23.9	22.8	-4.8%
norm	**FY19F**	30.9	15.7	-49.3%
(cps)	**FY20F**	39.2	39.0	-0.4%
DPS:	**FY18F**	14.5	14.0	-3.4%
(cps)	**FY19F**	19.0	12.1	-36.3%
	FY20F	24.0	23.0	-4.2%
Price target:		3.91	4.74	21.2%
Rating:		**BUY**	**BUY**	

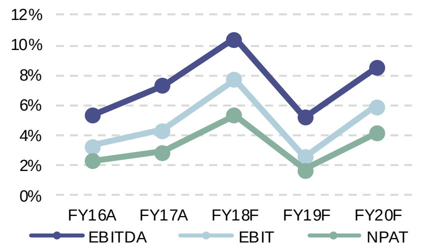
Growth rates



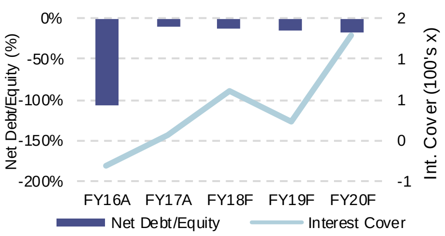
Returns



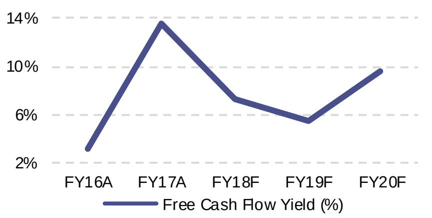
Margin trends



Solvency



Free cash flow yield



Interims ($m)

	1H17A	2H17A	1H18A	2H18E
Sales revenue	140.5	170.9	190.6	168.9
EBITDA	14.2	8.7	22.1	15.5
EBIT	10.5	3.2	16.9	11.0
Net profit	**7.9**	**1.1**	**11.9**	**7.3**
Norm EPS	**12.9**	**1.7**	**14.8**	**8.3**
EBIT/sales (%)	7.5	1.9	8.9	6.5
Dividend (c)	0.0	0.0	9.0	5.0
Franking (%)	0.0	0.0	100.0	100.0
Payout ratio (%)	0.0	0.0	60.7	60.5
Adj payout (%)	0.0	0.0	12.9	<0

Key assumptions

	FY13A	FY14A	FY15A	FY16A	FY17A	FY18F	FY19F	FY20F
Revenue growth (%)	1.6	-7.7	-4.0	0.0	187.1	16.1	142.6	3.3
EBITDA growth (%)	-27.1	-111.7	424.7	-286.3	295.9	64.3	21.2	68.9
EBIT growth (%)	-43.7	-275.8	52.4	-164.0	287.8	104.1	-19.8	140.7
NPAT growth (%)	-99.3		12.7	-153.6	263.9	117.3	-21.7	150.2
EPS growth (%)	-99.3		12.7	-144.0	77.8	97.6	-28.2	150.2
EBIT/sales (%)	1.7	-3.2	-5.1	3.3	4.4	7.8	2.5	6.0
Tax rate (%)	-99.2	15.2	-17.1	-33.6	-23.2	-30.5	-30.0	-30.0
ROA (%)	0.0	-13.5	-15.5	6.5	1.8	8.0	3.5	10.1
ROE (%)	0.1	-31.8	-53.7	20.2	5.3	15.9	9.3	23.3

Financial ratios

	FY13A	FY14A	FY15A	FY16A	FY17A	FY18F	FY19F	FY20F
PE (x)	691.7	-23.1	-20.5	40.7	19.2	12.3	17.9	7.2
EV/EBITDA (x)	46.5	-396.1	-75.5	40.5	10.2	6.2	5.1	3.0
Dividend yield (%)	0.9	0.5	0.0	0.0	0.0	5.0	4.3	8.2
FCF yield (%)	2.5	-0.8	2.1	3.1	13.5	7.2	5.5	9.6
Payout ratio (%)	>500	<0	0.0	0.0	0.0	61.5	77.3	58.9
Adj payout (%)	31.3	<0	0.0	0.0	0.0	56.8	77.9	72.7

Profit and loss ($m)

	FY13A	FY14A	FY15A	FY16A	FY17A	FY18F	FY19F	FY20F
Sales revenue	121.5	112.1	107.9	107.5	311.5	359.5	877.6	903.9
EBITDA	5.0	-0.6	-3.1	5.8	22.9	37.6	45.6	77.1
Depn & amort	3.0	3.0	2.4	2.3	9.2	9.7	23.3	23.3
EBIT	**2.1**	**-3.6**	**-5.5**	**3.5**	**13.7**	**27.9**	**22.4**	**53.8**
Net interest expense	-0.2	-0.1	-0.1	-0.1	2.2	0.5	1.0	0.4
Tax	2.2	0.5	-0.9	1.2	2.7	8.4	6.4	16.0
Minorities/pref divs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (pre-sig items)	**0.0**	**-4.0**	**-4.5**	**2.4**	**8.8**	**19.1**	**14.9**	**37.4**
Abns/exts/signif	0.0	-0.1	0.0	0.0	-5.5	0.0	-3.4	0.0
Reported net profit	**0.0**	**-4.1**	**-4.5**	**2.4**	**3.3**	**19.1**	**11.5**	**37.4**

Cash flow ($m)

	FY13A	FY14A	FY15A	FY16A	FY17A	FY18F	FY19F	FY20F
EBITDA	5.0	-0.6	-3.1	5.8	22.9	37.6	45.6	77.1
Interest & tax	-0.8	-0.9	0.7	0.1	-3.1	-6.7	-7.4	-16.4
Working cap/other	1.9	-0.6	7.5	1.8	13.6	-6.6	10.5	-1.0
Operating cash flow	**6.1**	**-2.1**	**5.1**	**7.7**	**33.4**	**24.4**	**48.7**	**59.6**
Maintenance capex	0.0	0.0	0.0	0.0	0.0	-6.5	-35.1	-35.7
Free cash flow	**6.1**	**-2.1**	**5.1**	**7.7**	**33.4**	**17.9**	**13.7**	**23.9**
Dividends paid	-1.9	-0.5	0.0	0.0	0.0	-10.2	-10.6	-17.4
Growth capex	-3.5	-2.0	-0.3	-3.6	-11.1	-9.1	0.0	0.0
Invest/disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oth investing/finance flows	0.1	0.1	-1.5	0.6	-37.1	5.9	0.0	0.0
Cash flow pre-financing	**0.8**	**-4.5**	**3.3**	**4.6**	**-14.8**	**4.6**	**3.0**	**6.5**
Funded by equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Funded by debt	-0.2	-0.1	-0.1	-0.2	30.0	-1.5	0.0	-18.0
Funded by cash	-0.6	4.6	-3.2	-4.4	-15.2	-3.1	-3.0	11.5

Balance sheet summary ($m)

	FY13A	FY14A	FY15A	FY16A	FY17A	FY18F	FY19F	FY20F
Cash	9.9	5.3	8.5	12.9	28.2	36.2	39.3	27.8
Current receivables	1.4	1.0	0.4	1.5	3.7	1.9	4.5	4.6
Current inventories	13.6	11.8	9.9	11.4	29.2	41.5	112.3	107.5
Net PPE	8.4	7.4	5.1	6.4	28.3	34.2	46.0	58.6
Intangibles/capitalised	8.3	3.9	4.9	4.2	90.6	123.4	123.4	123.4
Total assets	**41.6**	**30.0**	**29.0**	**37.0**	**180.7**	**237.9**	**326.2**	**322.5**
Current payables	13.9	10.9	14.7	17.7	46.4	49.3	133.2	127.4
Total debt	0.2	0.3	0.2	0.0	22.4	21.0	20.9	2.9
Total liabilities	**20.3**	**17.3**	**20.7**	**25.0**	**118.3**	**117.6**	**202.4**	**183.3**
Shareholder equity	**21.3**	**12.7**	**8.4**	**12.0**	**62.4**	**120.3**	**123.8**	**139.2**
Total funds employed	**21.6**	**13.0**	**8.6**	**12.0**	**84.8**	**141.3**	**144.7**	**142.1**

Three key points

- **Conservative efficiencies**: NBL outlined $30m in cost of doing business efficiencies (head office, logistics, transport, repairs and maintenance) when the acquisition was announced in May. We believe efficiencies are conservative and while we assume $30m in FY19e (in line with guidance), we forecast a further $31.5m in FY20e at gross profit and CODB level. We expect the efficiencies to largely come from; better supplier terms and less aggressive discounting across the category
- **Valuation impact**: Consolidating the 5 new brands and accounting for $61.5m of efficiencies in FY19e and FY20e, our valuation (DCF/EV) increases 21.2% to $4.73/share. Importantly, if we assume current FY20e EV/EBITDA peer multiples (7.2x) our valuation would increase a further 25.2% to $5.92/share.
- **Key risks**: In the near term we expect NBL will require new executive bench strength, re-negotiate leases and hold discussions with suppliers, which carry varying degrees of risk. However, the current NBL team including Richard Facioni (Chairman), Scott Evans (CEO) and Luka Softa (CFO) have deep experience in turnaround strategies having already grown NBL gross margins from 58.2% in 2H14a to 64.1% in 1H18a, whilst consolidating its initial purchase of NBL in 1H14a and acquiring Pretty Girl in 1H17a.

Changes to forecasts

- **Revenue**: Revenue +133.8% to $877.6m due to the consolidation of the Acquired Portfolio which we expect to contribute $502.3m in FY19e. On a revenue/store basis, our forecasts assume a decline of 2.5% yoy for the Acquired Portfolio.
- **Gross margins**: Gross margins -575bp to 56.7% due to the consolidation of the Acquired Portfolio which we expect to report 52.3% in FY19e. This represents a decline of 260bps yoy for the Acquired Portfolio.
- **Net debt**: Based on NBL's strong cash flow generation from FY20e, we expect management to aggressively reduce debt from 1H20e and be net cash by June 2020.

Table 1: NBL old vs new forecasts (A$m)

	FY18			FY19		
	Old	New	Change	Old	New	Change
Stores	645.0	645.0	0.0%	651.0	1,404.0	115.7%
Store Revenue	359.5	359.5	0.0%	375.3	877.6	133.8%
LFL growth	4.2%	4.2%	0 bp	1.6%	1.6%	0 bp
Other	8.3	8.3	0.0%	14.7	14.7	0.0%
Total Revenue	**367.8**	**367.8**	**0.0%**	**390.1**	**892.3**	**128.8%**
Gross Profit	232.9	232.9	0.0%	243.7	506.2	107.7%
Gross Profit Margin	64.8%	64.8%	0 bp	62.5%	56.7%	-575 bp
EBITDA	**37.6**	**37.6**	**0.0%**	**46.1**	**45.6**	**-1.1%**
D&A	9.7	9.7	0.0%	10.2	23.3	128.7%
EBIT	27.9	27.9	0.0%	36.0	22.4	-37.8%
Interest	0.5	0.5	0.0%	0.8	1.0	26.2%
Tax	8.4	8.4	0.0%	10.6	6.4	-39.3%
NPAT	**19.1**	**19.1**	**0.0%**	**24.6**	**14.9**	**-39.3%**

Source: Wilsons estimates

Price target +21.2% to $4.73/share

We have consolidated the acquisition of the 5 SFH brands into our NBL forecasts. We believe our assumptions are conservative and allow for outperformance.

Our forecasts changes are detailed below:

EPS: FY19e and FY20e -49.3% and -0.4% to 15.7cps and 39.0 respectively

EBITDA: FY19e and FY20e -1.1% and +38.4% to $45.6m and $77.1m respectively

Our valuation is based on a blended valuation of DCF (50%) and EV/EBITDA (50%). Given NBL's earnings, cash flow, growth profile and broader peer comparables we believe this methodology is the most appropriate way to reflect our thesis. Our valuation is most sensitive to like-for-like sales growth and gross profit margins.

When considering our revised valuation thesis we incorporated:

1. Improved market liquidity
2. Increased revenue and earnings profile
3. Expected additional senior management hires resulting in lower key man risk
4. Timing and impact of efficiencies attributable to the acquisition
5. Pricing power of the consolidated brands

- **DCF**: Our DCF valuation is $4.60/share. We assume a WACC of 10.1%, 5.0% risk-free rate, 1.2x beta (Wilsons derived), 6.0% equity market premium and terminal rate of 2.5% (in line with CPI).
- **EV/EBITDA**: Our EV/EBITDA is $5.92/share. We have assumed an FY20 EV/EBITDA of 7.2x which represents the average of the Australian specialty retail sector (including MYR at 2.5x). We use FY20e EBITDA given this is when we expect efficiencies to have a more material impact on group earnings.

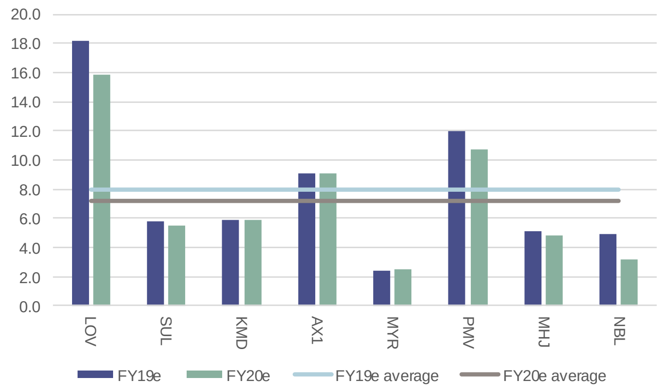
Discount: We apply a 10% discount to our blended valuation of $5.26/share to incorporate: i) acquisition execution risk; and ii) free-float constraints.

Table 2: NBL valuation summary ($m, $/share)

EV / EBITDA	FY20	DCF Summary	FY18
Enterprise Value	555.0	Enterprise Value	428.6
Net Debt (cash)	13.0	Net Debt (cash)	13.0
Equity Value	568.0	Equity Value	441.6
SOI	96.0	SOI	96.0
Valuation	**5.92**	**Valuation**	**4.60**
Multiple	7.20	WACC	10.1%

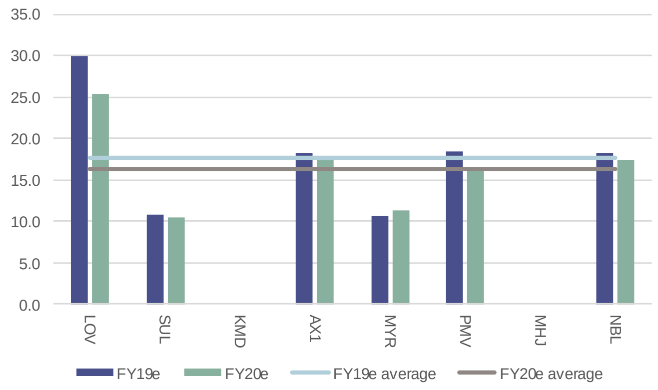
Source: Wilsons estimates, Capital IQ

Figure 1: Specialty retail peers EV/EBITDA (clothing/fashion)



Source: Capital IQ

Figure 2: Specialty retail peers PE (clothing/fashion)



Source: Capital IQ

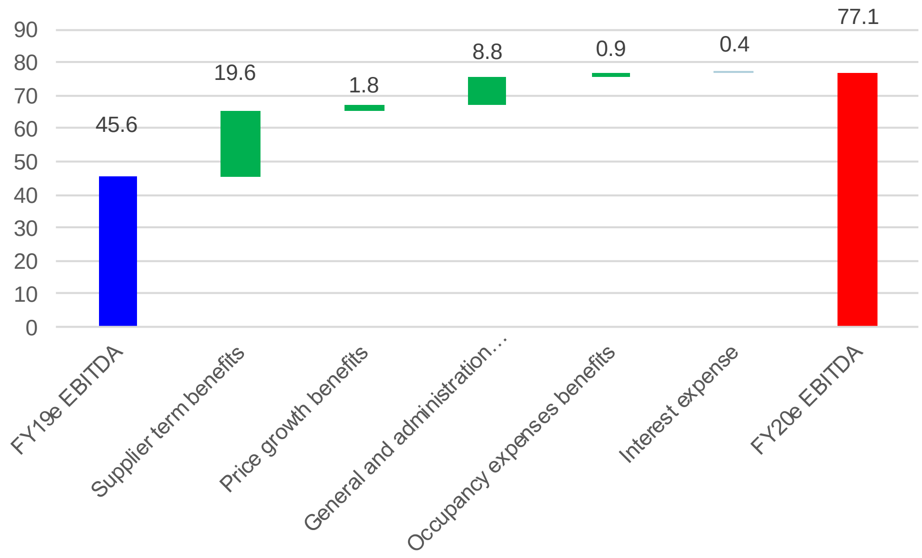
Additional synergies expected

NBL advised it expects to achieve "efficiencies in cost of doing business of approximately $30m" by the end of FY19. We believe the majority of the efficiencies will initially come from head office, freight and logistics cost centres. However, after management successfully consolidates the two companies in FY19e, we estimate a further $31.5m of efficiencies are achievable across the gross profit and cost of doing business lines in FY20e.

We provide further detail below:

- **Supplier terms benefits**: From July 2018 will be sourcing ~40m garments annually, up from 12m garments currently (+28m garments net). As a result, we expect NBL to have greater purchasing power with its suppliers in China, India and Bangladesh. Our forecasts assume NBL achieves $0.70/unit given additional purchasing power ($19.6m).
- **Price growth benefits**: We forecast an ASP of $21.4/unit in FY19e vs $27.7/unit in FY18 (-17.1% yoy), driven by lower priced Acquired Portfolio brands negatively impacting group pricing (Millers ASP $41/unit). However, given NBL now holds 11.7% market share in the female outer garment segment and ~30% of the plus-sized womenswear market we expect aggressive discounting to largely cease and price inflation to return to the segment. We forecast ASP of $22.5/unit in FY20e (+2.5% yoy).
- **General and administration expenses**: SFH had head office costs of ~$70.0m in FY17 ($11.7m/brand). Based on NBL's current head office cost of ~$25.0m ($6.3m/brand) and the Acquired Portfolio brand count of 5 brands, we expect total head office costs to ultimately settle to ~$56.3m in FY20e (9 x $6.3m), implying $8.8m head office efficiencies in addition to the $30.0m outlined by management.
- **Occupancy expenses**: Based on SFH's 1H18a rental expenses of $60.3m, we estimate FY18e rental expenses of $120.7m, or $0.121k/store on average. Based on the new store count of 750 (Acquired Portfolio), 5-year average lease expiry across the portfolio (150 stores annually) and 5% reduction in rental costs, we forecast occupancy expense savings of $0.910k in FY20e.

Figure 3: NBL FY19e-FY20e EBITDA ($m)



Source: Wilsons estimates

Consolidated group will have 11.7% market share

NBL and SFH have provided various insights into revenue and earnings for the Acquired Portfolio's CY17 period (2HFY17/1HFY18).

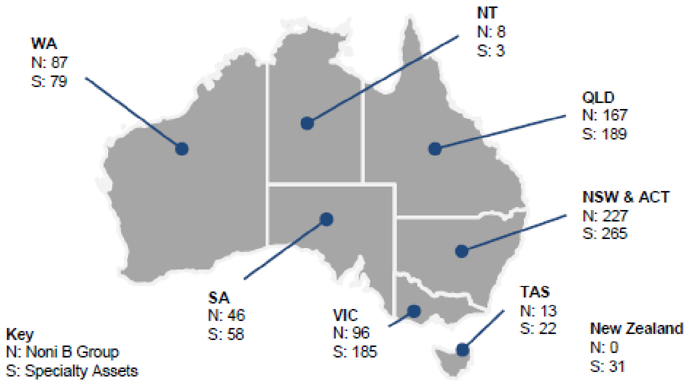
Based on this data, we estimate, once the 9 brands are consolidated (Noni B, Beme, Rockmans, W. Lane, Autograph, Rivers, Katies, Millers and Crossroads), NBL will have market share of 11.7% of the Australian women's outerwear category across 1,410 stores and additional operations in New Zealand.

NBL advised the Acquired Portfolio had CY17a pro-forma revenue of $642.3m across 823 stores, with Millers the largest contributor to group revenue (27.7%), followed by Rivers (23.6%) and Katies (12.6%).

While mid-way through a store consolidation program, which will results in store numbers declining from 823 stores to 750 stores by July 2018, it reported a loss of $25.7m in CY17a.

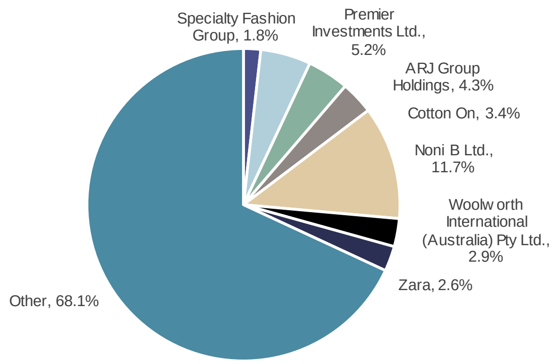
Through a series of efficiencies, NBL believes the Acquired Portfolio will be break-even at the EBITDA line in FY19e.

Figure 4: Consolidated store portfolio by state



Source: NBL company data

Figure 5: Australian womenswear market share (%)



Source: Euromonitor, NBL company data, Wilsons estimates

Brand specific details

- In CY17a the Acquired Portfolio had an average revenue/store of $0.723m, 30.7% higher than NBL at $0.6k (FY18e). Rivers has the highest revenue/store at $1.2m, followed by Millers at $0.65m.
- In CY17a the Average Portfolio online sales were $47.2m, as City Chic made up the majority of online sales (49.6%). The Acquired Portfolio average online sale to total sales is 8.9%, with Millers online sales only representing 4.4% of total revenue.

Table 3: Specialty Fashion trading metrics (CY17a)

	Stores	Total sales	Online sales	Total store sales	Revenue/store	% total revenue
*City Chic**	*115*	*135.5*	*46.5*	*89.0*	*0.774*	*17.4%*
Autograph	107	71.3	12.7	58.6	0.548	9.2%
Millers	316	215.4	9.5	205.9	0.652	27.7%
Katies	143	97.8	7.2	90.6	0.634	12.6%
Crossroads	117	74.2	6.8	67.4	0.576	9.5%
Rivers	140	183.6	11	172.6	1.233	23.6%
Total	**938**	**777.8**	**93.7**	**684.1**	**0.736**	
Total (ex City Chic)	**823**	**642.3**	**47.2**	**595.1**	**0.728**	

*Source: Wilsons estimates, SFH company data, *City Chic data provided for illustrative purposes only*

Based on NBL's guidance, SFH's market commentary and standard industry metrics, we have attempted to derive the Acquired Portfolios' base revenue, gross profit and EBITDA for the FY18e period (1H18a, 2H18e).

Our assumptions for Acquired Portfolio in FY18e are detailed below:

Revenue

- We forecast total store revenue of $523.5m in FY18e. Based on an average of 845 stores in FY18e (813 in 2H18e), this implies average revenue/store of $0.620m, -14.8% vs CY17 ($0.728m). Revenue/store is expected to be negatively impacted by inventory restrictions.
- Online revenue of $50.2m in FY18e, based on the derived Acquired Portfolios online sales to total sales split in CY17 provided by SFH. We assume the typical 1H/2H split (53%/47%) and derive our 2H18e forecasts in this manner.

EBITDA

- We forecast EBITDA of -$15.0m in FY18e, in line with NBL's guidance. Based on SFH's EBITDA of $18.5m in 1H18a and guidance for City Chic EBITDA of $23.0-24.0m in FY18e (excluding additional costs) and historical profitability split (80%/20%), we estimate City Chic EBITDA of $18.8m in 1H18a, implying the Acquired Portfolio EBITDA of -$0.3m.

Cost of Doing Business (CODB)

- CODB/store was $0.391m in CY17a. FY18e EBITDA guidance implies a CODB of $330.1m or CODB/store of $0.340m in FY18e (-13.0% yoy).
- NBL believes it can achieve $30m of CODB efficiencies in FY19e. As a result, our CODB/store run rate declines from $0.391m in FY18e to $0.350m (-10.5%) in FY19e accordingly.

Gross profit

- Our EBITDA assumptions imply gross margins of 54.9% in FY18e. We assume gross margins of 55.9% in 1H18a and forecast 53.8% in 2H18e.
- NBL believes it can achieve purchasing and pricing efficiencies from FY20e.

Table 4: Acquired Portfolio half yearly forecasts (A$m)

Acquired Portfolio	1H18a*	2H18e*	FY18e*	1H19	2H19	FY19	1H20	2H20	FY20
Stores	*876*	*813*	*845*	*750*	*750*	*750*	*750*	*750*	*750*
Online revenue	26.2	24.1	50.2	25.5	23.5	49.0	26.4	24.3	50.7
Store revenue	279.6	243.9	523.5	239.8	213.5	453.3	248.2	221.0	469.2
Total revenue	**305.7**	**268.0**	**573.7**	**265.3**	**237.0**	**502.3**	**274.6**	**245.3**	**519.9**
Growth (%)				-2.5%	-2.5%	-2.5%	3.5%	3.5%	3.5%
Gross profit	170.9	144.2	315.1	130.0	132.5	262.5	153.6	130.0	283.6
Gross profit margin (%)	55.9%	53.8%	54.9%	49.0%	55.9%	52.3%	56.0%	53.0%	54.6%
CODB	171.2	158.9	330.1	131.25	131.25	262.5	126.4	126.4	252.8
CODB/store	0.195	0.195	0.391	0.175	0.175	0.350	0.169	0.169	0.337
CODB margin (%)	56.0%	59.3%	57.5%	49.5%	55.4%	52.3%	46.0%	51.5%	48.6%
Underlying EBITDA	**-0.3**	**-14.7**	**-15.0**	**-1.3**	**1.3**	**0.0**	**27.3**	**3.6**	**30.9**
Underlying EBITDA margin (%)	-0.1%	-5.5%	-2.6%	-0.5%	0.5%	0.0%	9.9%	1.5%	5.9%
D&A	-7.1	-7.1	-14.1	-7.1	-7.1	-14.1	-7.1	-7.1	-14.1
Underlying EBIT	**-7.4**	**-21.8**	**-29.1**	**-8.3**	**-5.8**	**-14.1**	**20.2**	**-3.4**	**16.8**
Underlying EBIT margin (%)	-2.4%	-8.1%	-5.1%	-3.1%	-2.4%	-2.8%	7.4%	-1.4%	3.2%

Source: SFH company data, NBL company data, Wilsons estimates
**data is analysts forecasts only, based on information provided*

Noni B (NBL)

Business description

Noni B Limited (NBL) is a ladies fashion retailer targeting the older, mature demographic (55+ years old) and recently acquired Pretty Girl Pty Ltd to expand its retail network to more than 650 stores nationwide. Its current brand portfolio consists of Noni B, Rockmans, W.Lane and BeMe.

Investment thesis

Since the Alceon Group's acquisition of a majority shareholding in NBL in FY15, NBL has recorded significant improvements in gross margins and has shown early signs of success. In addition to our optimism about management's experience we are encouraged by its conservative guidance.

Revenue drivers

- Consumer confidence
- Retail sales
- Store rollout

Margin drivers

- Selling and distribution costs
- Leveraging cost savings from larger store network
- Store volumes

Key issues/catalysts

- Robust store like-for-like growth
- Improved online retail sales
- New earnings base

Risk to view

- Poor Mother's Day trading period
- Aggressive discounting by peers
- Rapid decline in broader retail sales and consumer confidence

Balance sheet

- Assets: $180.7m
- Equity: $62.4m
- Net cash: $5.3m

Board

- Richard Facioni: Chairman and Non-Executive Director
- Scott Evans: Chief Executive Officer and Managing Director
- Sue Morphet: Non-Executive Director
- David Wilshire: Non-Executive Director

Management

- Scott Evans: Chief Executive Officer and Managing Director
- Luke Softa: Chief Financial Officer, Secretary

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Disclaimers and disclosures

Recommendation structure and other definitions

Definitions at wilsonsadvisory.com.au/Disclosures.

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