MYER Group

17 December 2024

Explanatory Memorandum

Vote in Favour

The Myer Independent Directors unanimously recommend that Myer Shareholders vote in favour of the Combination Resolution, subject to the Independent Expert continuing to conclude that the Combination is either fair and reasonable, or not fair, but reasonable to Non-Associated Myer Shareholders.

The Independent Expert has concluded that the Combination is fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal.

LEGAL ADVISER

CLAYTON UTZ

FINANCIAL ADVISER

Barrenjoey

Partnering with BARCLAYS

This is an important document and requires your immediate attention. You should read the Notice of Meeting and this Explanatory Memorandum in full before making any decision as to how to vote on the Combination Resolution set out in the Notice of Meeting. If you are in any doubt as to any action to take in relation to the Combination, you should consult your legal, financial, taxation or other professional adviser.

Acknowledgement of Country

In the spirit of reconciliation, Myer acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea, and community. We pay our respects to their Elders past and present and extend that respect to all Aboriginals and Torres Strait Islander people.

Disclaimer and Important Notices

General

This Explanatory Memorandum has been prepared for Myer Shareholders in connection with the extraordinary general meeting of Myer Shareholders to be held at 9:00am on 23 January 2025 (Melbourne time) (**Meeting**). The notice of extraordinary general meeting (**Notice of Meeting**) is contained in Annexure A of this Explanatory Memorandum. You should read the Notice of Meeting and this Explanatory Memorandum in full before making any decision as to how to vote on the Combination Resolution set out in the Notice of Meeting.

Purpose of this document

The purpose of this Explanatory Memorandum is to provide Myer Shareholders with information that the Myer Independent Directors believe to be material in deciding whether or not to approve the Combination Resolution. This Explanatory Memorandum does not constitute or contain an offer to Myer Shareholders, or a solicitation of an offer from Myer Shareholders, in any jurisdiction.

A copy of this Explanatory Memorandum has been provided to ASIC and ASX. Neither ASIC nor ASX, nor their respective officers, take any responsibility for the contents of this Explanatory Memorandum.

Defined terms, times and dates

Capitalised terms used in this Explanatory Memorandum are defined in Section 10.

All times and dates referred to in this Explanatory Memorandum are times and dates in Melbourne, Australia, unless otherwise indicated.

No investment advice

This Explanatory Memorandum has been prepared without reference to the investment objectives, financial and taxation situation, or particular needs of any Myer Shareholder or any other person. The information and recommendations contained in this Explanatory Memorandum do not constitute, and should not be taken as, financial product advice. The Myer Independent Directors encourage you to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Combination Resolution.

This Explanatory Memorandum is important and requires your immediate attention. It should be read in its entirety before making a decision on whether or not to vote in favour of the Combination Resolution. In particular, it is important that you consider the potential risks of the Combination as set out in Section 7, and the views of the Independent Expert set out in the Independent Expert Report (contained in Annexure C of this Explanatory Memorandum).

If you are in any doubt as to any action to take in relation to the Combination, you should consult an independent and appropriately licensed and authorised professional adviser.

Industry and market data

This Explanatory Memorandum contains industry, market and competitive position data that is based on industry publications and studies conducted by third parties as well as Myer's internal estimates and research. These industry publications and third-party studies generally state that the information they contain has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While Myer believes that each of these publications and third-party studies is reliable, Myer has not independently verified the market and industry data obtained from these third-party sources. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements contained in this Explanatory Memorandum and may differ among third-party sources. These forecasts and forward-looking information are subject to uncertainty and risk due to a variety of factors, including those described in Section 7 and in the "Forward-looking statements" paragraph below. These and other factors could cause results to differ materially from those expressed in the forecasts or estimates relating to Myer or Premier or in those of independent third parties. Whilst Myer believes its internal research is reliable, and its selection of industry publications and third-party studies and the description of its market and industry are appropriate, neither such research nor these descriptions have been verified by any independent source.

Forward-looking statements

Some of the statements appearing in this Explanatory Memorandum may be in the nature of forward-looking statements. Forward-looking statements or statements of intent in relation to future events in this Explanatory Memorandum (including in the Independent Expert Report) should not be taken to be forecasts or predictions that those events will occur. Forward-looking statements generally may be identified by the use of forward-looking words such as 'guidance', 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals or expectations of Myer are or may be forward-looking statements. You should be aware that those statements and any assumptions on which they are based are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which Myer operates, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement and deviations are both normal and to be expected. If any of the assumptions on which a forward-looking statement is based were to change or be found to be incorrect, this would also likely cause outcomes to be different from the statements made in this Explanatory Memorandum. Investors are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic and political climate and the significant volatility in global economic markets.

None of Myer nor any of its related bodies corporate, nor any of their respective officers, directors, employees, advisers or representatives (**Beneficiaries**), nor any person named in this Explanatory Memorandum or involved in the preparation of this Explanatory Memorandum, makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

The forward-looking statements in this Explanatory Memorandum reflect views held only at the date of this Explanatory Memorandum. Subject to any continuing obligations under the ASX Listing Rules or the Corporations Act, Myer and its related bodies corporate, and their Beneficiaries, disclaim any obligation or undertaking to distribute after the date of this Explanatory Memorandum any updates or revisions to any forward-looking statements to reflect

Disclaimer and Important Notices

any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any statement is based.

Responsibility statement

Except as outlined below, the information contained in this Explanatory Memorandum has been prepared by Myer and is its responsibility alone. Premier Investments Limited (**Premier**) has prepared and provided the Premier Information and is responsible for that information. Neither Myer, nor any of its related bodies corporate, nor any of their respective officers, directors, employees or advisers, assume any responsibility for the accuracy or completeness of the Premier Information.

Kroll Australia Pty Ltd (**Kroll**) has prepared, and takes full responsibility for, the Independent Expert Report (contained in Annexure C of this Explanatory Memorandum). Neither Myer, nor any of its related bodies corporate, nor any of their respective officers, directors, employees or advisers, assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert Report, except, in the case of Myer, in relation to the information that it has provided to the Independent Expert.

Ernst & Young Strategy and Transactions Limited has prepared, and takes responsibility for, the Independent Limited Assurance Report (contained in Annexure D of this Explanatory Memorandum). Neither Myer, nor any of its related bodies corporate, nor any of their respective officers, directors, employees or advisers, assume any responsibility for the accuracy or completeness of the information contained in the Independent Limited Assurance Report.

Foreign jurisdictions

The release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in those other jurisdictions and persons outside Australia who come into possession of this Explanatory Memorandum should seek advice on and observe any of those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable laws or regulations.

This Explanatory Memorandum has been prepared in accordance with the laws of the Commonwealth of Australia and the information contained in this Explanatory Memorandum may not be the same as that which would have been disclosed if this Explanatory Memorandum had been prepared in accordance with the laws and regulations of a jurisdiction outside Australia.

Financial information

All references to FY23 and FY24 appearing in this Explanatory Memorandum are to the financial periods ended 29 July 2023 and 27 July 2024 respectively, unless otherwise indicated.

All financial amounts and currency in this Explanatory Memorandum are expressed in Australian dollars and are rounded to the nearest hundred thousand dollars unless otherwise indicated. Any discrepancies between totals in tables or financial information, or in calculations, graphs or charts are due to rounding. All financial and operational information set out in this Explanatory Memorandum is current as at the date of this Explanatory Memorandum, unless otherwise stated.

Myer uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards or International Financial Reporting Standards (**Non-IFRS information**), including, without limitation, total sales, sale of goods, COGS, OGP, CODB, EBIT, net cash, working capital, operating cash flow and NPAT expressed to be excluding implementation costs and individually significant items or on a pre-AASB16 basis. These measures are used internally by management to assess the performance of Myer's business, make decisions on the allocation of Myer's resources and assess operational management.

Non-IFRS information has not been subject to audit or review and should not be considered an indication of, or an alternative to, an IFRS measure of profitability, financial performance or liquidity. Due to rounding, numbers presented throughout this Explanatory Memorandum may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Privacy

Myer may collect personal information in the process of implementing the Combination.

The type of information that Myer may collect about you includes your name, contact details and information on your shareholding in Myer and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Meeting as relevant to you. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist Myer to conduct the Meeting and implement the Combination. Without this information, Myer may be hindered in its ability to issue this Explanatory Memorandum, conduct the Meeting, and implement the Combination.

Personal information of the type described above may be disclosed to the Myer Registry, third-party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Meeting), authorised securities brokers, professional advisers, related bodies corporate of Myer, regulatory authorities, and also where disclosure is otherwise required or allowed by law.

Myer Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of information about you held by the Myer Registry in connection with Myer Shares, please contact the Myer Registry. Myer Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meeting should ensure that they inform that individual of the matters outlined above.

Photographs and diagrams

Photographs and diagrams used in this Explanatory Memorandum that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Explanatory Memorandum or its contents or that the assets shown in them are owned by Myer. Diagrams and charts used in this Explanatory Memorandum are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Explanatory Memorandum.

Date of Explanatory Memorandum

This Explanatory Memorandum is dated 17 December 2024.

Contents

Letter from the Myer Executive Chair

Dear Myer Shareholder,

On behalf of the Myer Independent Directors, I am pleased to introduce this Explanatory Memorandum, which contains important details on the proposed combination of Myer and Apparel Brands (the **Combination**).

This Explanatory Memorandum sets out important information relating to the Combination and the reasons why the Myer Independent Directors have made their unanimous recommendation to support the Combination, backed by the findings of an Independent Expert Report.

The combination of Myer and Apparel Brands, which comprises much-loved brands Just Jeans, Jay Jays, Portmans, Dotti and Jacqui E, is transformational for our business.

Bringing together two highly complementary businesses, the combination of Myer and Apparel Brands creates a leading omni-channel retail platform of significant scale across Australia and New Zealand with pro forma historical annual sales of more than $4 billion in FY24, a large and highly engaged customer base, and a stronger balance sheet to fund future investment and growth.

The Combined Myer Group will have an extensive footprint of 783 department and specialty stores,[1] supported by more than 17,300 team members.[2] The Combination will accelerate the expansion of our MYER one loyalty program and increase customer engagement with the combined group's loved brands through an expanded omni-channel ecosystem.

Myer Independent Directors' recommendation

After carefully considering all aspects, benefits and risks of the Combination and the Independent Expert Report, the Myer Independent Directors unanimously support the Combination and intend to vote in favour of the Combination Resolution at the Meeting. The Myer Independent Directors unanimously recommend that Myer Shareholders also vote in favour of the Combination Resolution, subject to the Independent Expert continuing to conclude that the Combination is either fair and reasonable, or not fair, but reasonable to Non-Associated Myer Shareholders.[3]

The Myer Independent Directors have concluded that the Combination is compelling for Myer Shareholders for a range of reasons, including that the Combination:

- creates a leading Australian omni-channel retail platform with significantly enhanced scale and capabilities to drive growth and operating leverage benefits;
- introduces Apparel Brands' highly complementary customer base to Myer's leading loyalty program, MYER one, driving enhanced cross-shop opportunities and incremental sales growth across the combined group;
- offers potential to take advantage of enhanced capabilities in product development, design, sourcing and distribution to deliver improved margins for the combined group;
- is expected to generate annual pre-tax earnings benefits of at least $30 million on a run-rate basis over the short to medium term and delivers significant EPS accretion on a pro forma FY24 basis;
- delivers an enhanced balance sheet and greater capacity to invest in growth across the combined group; and
- expands and diversifies Myer's shareholder base following the In Specie Distribution by Premier, with improved share trading liquidity and access to capital.

1. sass & bide and Marcs and David Lawrence store numbers as at December 2024.
2. Includes casual staff but excludes sass & bide and Marcs and David Lawrence staff as at 28 October 2024.
3. The Myer Independent Directors are entitled to change their recommendation and voting intention if the Independent Expert concludes (and continues to conclude) that the Combination is neither fair nor reasonable or if a Myer Independent Director has determined, after receiving written legal advice from independent senior counsel, that they, by virtue of their relevant directors' duties, are required to change, withdraw, qualify or modify, or abstain from making their recommendation that Myer Shareholders vote in favour of the Combination Resolution.

In addition, the Myer Independent Directors also consider the following to be compelling reasons for Myer Shareholders to vote in favour of the Combination Resolution:

- The Myer Board intends to declare before Completion, a fully franked Pre-Completion Dividend of 2.5 cents per Myer Share to existing Myer Shareholders, provided all Conditions to the Combination have been satisfied or waived;
- Solomon Lew is expected to join the Board of the Combined Myer Group as a non-executive director consistent with Century Plaza Group becoming Myer's largest shareholder following Completion, bringing deep retail expertise with strong economic alignment;
- The Independent Expert has concluded that the Combination is fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal; and
- If the Combination does not proceed, the Myer Share price may fall in the near term and the Pre-Completion Dividend will not be declared or paid.

In summary, the Myer Independent Directors view the Combination as compelling and in the best interest of Myer Shareholders.

In forming this view, the Myer Independent Directors considered the disadvantages and risks associated with the Combination, including that:

- you may disagree with the recommendation of the Myer Independent Directors and/or the conclusion of the Independent Expert;
- the risk profile of the Combined Myer Group will change which you may consider to be disadvantageous to you relative to the risk profile of Myer on a standalone basis;
- you may consider that there are risks associated with the integration of Myer and Apparel Brands which exceed the benefits of the Combination;
- your percentage shareholding and voting power in Myer will be diluted by the issue of the Consideration Shares; and
- Myer Shares may trade below the current price.

Details of the Combination

On 29 October 2024, Myer executed a binding Share Sale and Implementation Agreement with Premier to implement the transformational combination of Myer and Premier's Apparel Brands Business.

Under the Share Sale and Implementation Agreement, Myer will issue 890.5 million shares to Premier in consideration for the acquisition of Just Group which will retain $82 million of cash. Following the issuance of Consideration Shares, Myer Shareholders (including Premier by reason of its existing shareholding) will hold 48.5% of issued capital in Myer, while Premier will receive 51.5% of issued capital in Myer.

Shortly after Completion, Premier will undertake the In Specie Distribution which involves Premier distributing the Consideration Shares as well as its existing holding of approximately 261 million Myer Shares to Premier Shareholders on a pro rata basis, such that Premier will no longer be a shareholder in Myer.

Immediately following the In Specie Distribution, Premier's largest shareholder, and the private investment vehicle of Premier Chairman Solomon Lew, Century Plaza Group is expected to become Myer's largest shareholder with pro forma ownership of 26.8%, which is less than Premier's current shareholding in Myer of 31.2%.[4]

Pre-Completion Dividend

The Myer Board intends to declare before Completion a fully franked Pre-Completion Dividend of 2.5 cents per Myer Share to existing Myer Shareholders, which will deliver to Myer Shareholders aggregate value of approximately $20.9 million,[5] provided all Conditions to the Combination have been satisfied or waived.
If Completion occurs, Myer does not expect to declare an interim dividend in FY25.

4. As at the Last Practicable Date.
5. Based on 837,557,023 Myer Shares outstanding as at the Last Practicable Date.

Letter from the Myer Executive Chair

Independent Expert

Myer has appointed Kroll as the Independent Expert to assess the merits of the Combination and to provide an opinion as to whether it is fair and reasonable to Non-Associated Myer Shareholders.

The Independent Expert has concluded that the Combination is fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal.

In arriving at this opinion, the Independent Expert has assessed the value of Apparel Brands (including retained cash and on a control basis) to be in the range of \$848.3 million to \$946.3 million. The value of the Consideration Shares has been valued in the range of \$823.7 million to \$1,064.1 million (minority basis, ex-dividend). As the value of the Consideration Shares overlaps with the assessed value range of Apparel Brands (including retained cash), the Independent Expert has concluded that the Combination is fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal.

A copy of the Independent Expert Report is included in Annexure C to this Explanatory Memorandum and the Myer Independent Directors encourage Myer Shareholders to read the report in full.

How to vote

The Combination can only proceed with the approval of Myer Shareholders at the Meeting to be held at The Edge, Fed Square – Swanston Street & Flinders Street, Melbourne VIC 3000 and online at https://meetings.linkgroup.com/MYRGM25 at 9:00am on 23 January 2025 (Melbourne time).

For the Combination to proceed, the Combination Resolution must be passed by a majority of Myer Shareholders present and voting at the Meeting.

Your vote is important, and the Myer Independent Directors encourage you to vote in person, or by proxy, representative or attorney.

Details on how to vote at the Meeting are set out in the Notice of Meeting in Annexure A of this Explanatory Memorandum.

Further Information

This Explanatory Memorandum sets out important information relating to the Combination and the reasons why the Myer Independent Directors have made their unanimous recommendation, together with the Independent Expert Report. This Explanatory Memorandum also sets out some of the reasons why you may wish to vote against the Combination Resolution.

You should carefully read this Explanatory Memorandum in its entirety before deciding whether to vote in favour of the Combination Resolution. The Myer Independent Directors also recommend that you seek independent financial, legal and taxation advice before making any decision in relation to your Myer Shares.

If you have any questions in relation to the Combination or how to vote, please call the Myer Shareholder Information Line on 1300 038 212 (within Australia) or +61 2 9066 4052 (outside Australia) between 9:00am and 5:00pm (Melbourne time), Monday to Friday (excluding public holidays). If you have any questions in relation to your Myer shareholding, please contact the Myer Registry on +61 1300 820 260.

On behalf of the Myer Independent Directors, I would like to take this opportunity to thank you for your ongoing support of Myer and I look forward to your participation at the Meeting.

Myer Shareholders can look forward to an exciting future with the proposed Combination of Myer and Apparel Brands, creating a leading retail platform across Australia and New Zealand.

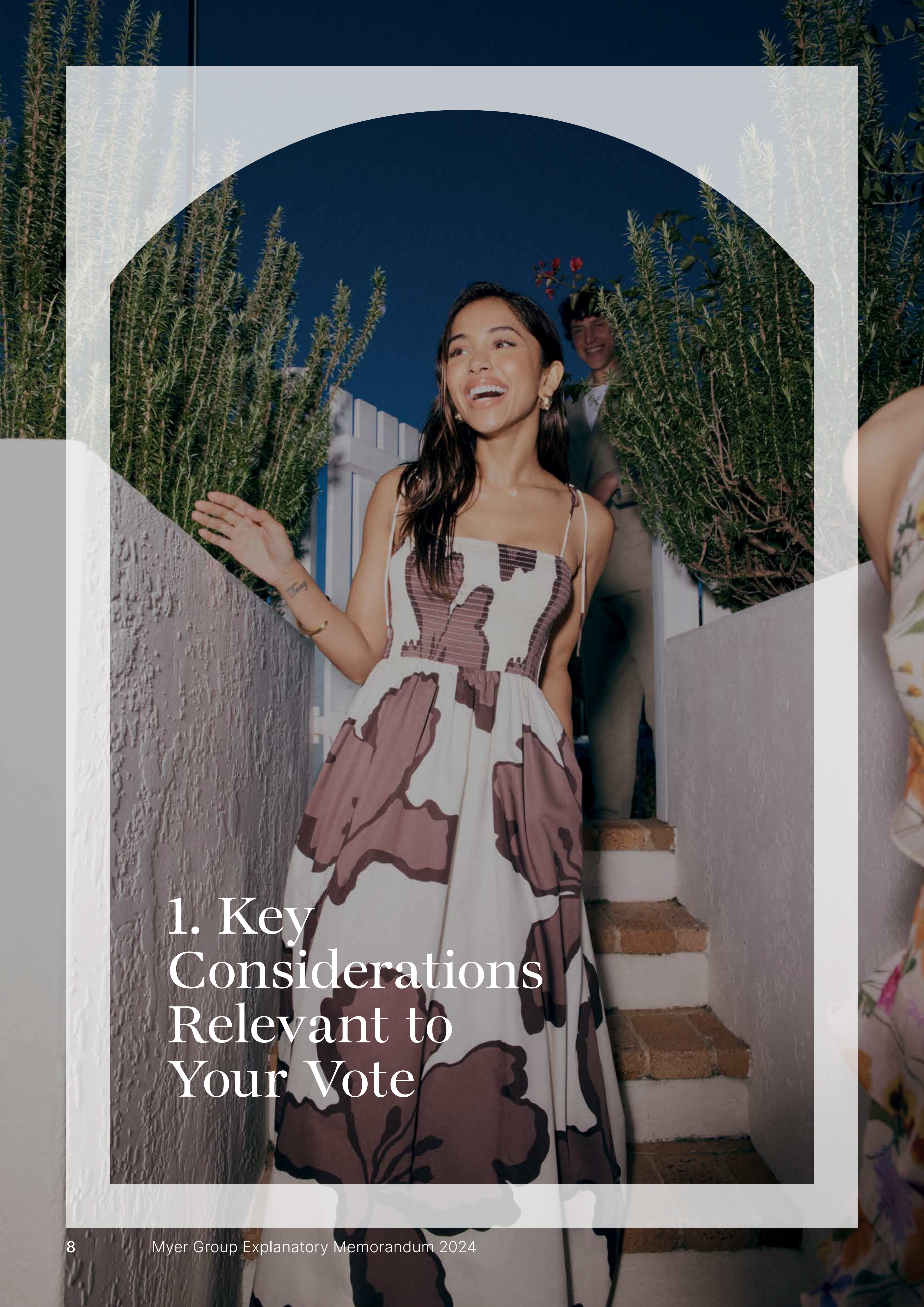
Yours sincerely

Olivia Wirth
Executive Chair & Director
Myer

Key Dates

Event	Indicative Date
Date of the Explanatory Memorandum	17 December 2024
Last date and time for receipt of Proxy Forms The last date and time by which proxy forms (including proxies lodged online) or powers of attorney for the Meeting must be received by the Myer Registry	9:00am, 21 January 2025
Meeting Record Time Time and date for determining eligibility to vote at the Meeting	7:00pm, 21 January 2025
Meeting of Myer Shareholders To approve the Combination	9:00am, 23 January 2025
If all the Conditions are satisfied or waived, including shareholder approval of the Combination Resolution:	
Completion Date	26 January 2025
Expected Pre-Completion Dividend Record Date	7:00pm on 28 January 2025
Issuance of Consideration Shares by Myer to Premier	29 January 2025
Consideration Shares commence trading on an ordinary basis	30 January 2025
Distribution of Myer Shares by Premier pursuant to the In Specie Distribution	6 February 2025
Normal trading of Distribution Shares commences	7 February 2025

All dates and times are references to Melbourne, Australia. These dates are indicative only and subject to change. The Myer Independent Directors reserve the right to vary these dates, including the Completion Date, without prior notice. If the Combination Resolution is approved by Myer Shareholders, but any Conditions remain outstanding after that time, Completion will occur as soon as reasonably practicable after those Conditions have been satisfied or waived (as applicable). Any changes to the above timetable will be announced to the ASX and notified on Myer's investor website at: https://investor.myer.com.au/home/.



1. Key Considerations Relevant to Your Vote

1. Key Considerations Relevant to Your Vote

1.1 Overview

This section sets out the reasons why the Myer Independent Directors consider that Myer Shareholders should vote in favour of the Combination Resolution. Whilst the Myer Independent Directors acknowledge that there may be reasons for Myer Shareholders to vote against the Combination Resolution (see Section 1.3, 'Reasons why you might vote against the Combination Resolution'), they believe that the reasons to vote in favour of the Combination Resolution outweigh the reasons to vote against the Combination Resolution.

REASONS TO VOTE IN FAVOUR OF THE COMBINATION RESOLUTION	
✓	Creates a leading Australian omni-channel retail platform with significantly enhanced scale and capabilities to drive growth and operating leverage benefits.
✓	Accelerates Myer's key strategic priorities identified in the Strategic Review.
✓	Is expected to generate annual pre-tax earnings benefits of least $30 million on a run-rate basis over the short to medium term and delivers significant EPS accretion on a pro forma FY24 basis.
✓	Delivers an enhanced balance sheet and greater capacity to invest in growth across the Combined Myer Group.
✓	Expands and diversifies Myer's shareholder base following the In Specie Distribution, with improved share trading liquidity and access to capital.
✓	The Myer Board intends to declare before Completion, a fully franked Pre-Completion Dividend of 2.5 cents per Myer Share to existing Myer Shareholders, provided all Conditions to the Combination have been satisfied or waived.
✓	Solomon Lew is expected to join the Board of the Combined Myer Group as a non-executive director consistent with Century Plaza Group becoming Myer's largest shareholder post Completion, bringing deep retail expertise and strong economic alignment.
✓	The Independent Expert has concluded that the Combination is fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal.
✓	The Myer Independent Directors unanimously recommend that Myer Shareholders vote in favour of the Combination Resolution, subject to the Independent Expert continuing to conclude that the Combination is either fair and reasonable, or not fair, but reasonable to Non-Associated Myer Shareholders.
✓	If the Combination does not proceed, the Myer Share price may fall in the near term and the Pre-Completion Dividend will not be declared or paid.

1. Key Considerations Relevant to Your Vote

REASONS WHY YOU MIGHT VOTE AGAINST THE COMBINATION RESOLUTION	
✗	You may not agree with the Myer Independent Directors' recommendation and/or the Independent Expert's conclusion.
✗	The risk profile of the Combined Myer Group will change which you may consider to be disadvantageous to you relative to the risk profile of Myer on a standalone basis.
✗	You may consider that there are risks associated with the integration of Myer and Apparel Brands which exceed the benefits of the Combination.
✗	Your percentage shareholding and voting power in Myer will be diluted by the issue of Consideration Shares.
✗	Myer Shares may trade below the current price.

The reasons are discussed in more detail in Sections 1.2 and 1.3 below.

1.2 Reasons to vote in favour of the Combination Resolution

This Section 1.2 sets out the reasons why the Myer Independent Directors consider that Myer Shareholders should vote in favour of the Combination Resolution subject to the Independent Expert continuing to conclude that the Combination is either fair and reasonable, or not fair, but reasonable to Non-Associated Myer Shareholders.

1.2.1 The Combination creates a leading Australian omni-channel retail platform with significantly enhanced scale and capabilities to drive growth and operating leverage benefits

The Combined Myer Group will provide a leading Australian omni-channel retail platform of scale with:

- an extensive combined footprint of 783 stores across Australia and New Zealand;[6]
- enhanced omni-channel capabilities through combined eCommerce scale;
- an expanded MYER one loyalty program through an enlarged customer base and greater data insights;
- a wide collection of brands for all Australians with Apparel Brands reaching different shoppers who are complementary to Myer's customer base;
- advanced design, sourcing and distribution capabilities leveraging Apparel Brands' operational excellence across the full value chain; and
- an enhanced financial scale, strengthened balance sheet and greater capacity to invest in growth.

Through this enhanced platform, greater operating and financial scale and strengthened balance sheet, the Combined Myer Group will be well placed to invest and innovate in a highly competitive and rapidly evolving retail market. Refer to Section 6 for more information on the Combined Myer Group.

1.2.2 The Combination accelerates Myer's key strategic priorities identified in the Strategic Review

In March 2024, Myer commenced a broad-ranging strategic review focused on repositioning Myer's retail platform for sustainable and profitable long-term growth in an evolving retail landscape (the **Strategic Review**).

The Strategic Review is well progressed and includes a comprehensive assessment of Myer's product offering, brand portfolio, store networks, supply chain, eCommerce platform, loyalty program, technology, capital management framework and cost base.

6. sass & bide and Marcs and David Lawrence store numbers as at December 2024.

While the review remains ongoing, the preliminary phase of the review has identified the following key strategic priorities:

- appeal to new and underpenetrated customer segments;
- focus on delivering stronger product proposition particularly across Apparel and Beauty categories;
- expand Myer's omni-channel and eCommerce capabilities, sales and offer;
- unlock further value through the MYER one and loyalty ecosystem;
- deliver a winning store experience and deliver greater productivity across portfolio and new store formats; and
- achieve operational excellence across the full value chain to enable reinvestment in the business.

The Combination creates a leading Australian omni-channel retail platform, providing enhanced scale and capabilities to accelerate the delivery of these strategic priorities that would otherwise take significant time and investment to achieve.

1.2.3 The Combination is expected to generate annual pre-tax earnings benefits of at least $30 million on a run-rate basis over the short to medium term and deliver significant EPS accretion on a pro forma FY24 basis

Myer expects that the successful implementation of the Combination and the creation of the Combined Myer Group will unlock annual pre-tax earnings benefits of at least $30 million on a run-rate basis over the short to medium term. By voting in favour of the Combination Resolution, Myer Shareholders will have the opportunity to share in the potential value creation expected to be generated from the combination benefits.

Myer expects to realise the annual combination benefits in a range of areas including, but not limited to, sourcing optimisation, MYER one expansion, cost initiatives (including financing cost savings), omni-channel benefits and the acceleration of Myer's exclusive brands and specialty brands.

Further details on the expected combination benefits are included in Section 6.3.

1.2.4 The Combination delivers an enhanced balance sheet and greater capacity to invest in growth across the Combined Myer Group

The Combined Myer Group is expected to:

- be of greater relevance to both equity and debt investors through its increased scale relative to Myer on a standalone basis;
- deliver pro forma historical annual sales of approximately $4.1 billion and Reported EBIT of $236.3 million for FY24 (before combination benefits);
- have a pro forma historical net cash position of $224.5 million as at 27 July 2024;[7]
- have stronger profitability and cashflow metrics relative to Myer on a standalone basis; and
- have a significantly strengthened financial position and enhanced credit profile.

The increased financial scale and associated balance sheet strength provide a significantly enhanced platform for the Combined Myer Group to pursue growth opportunities. Refer to Section 6 for more information on the Combined Myer Group.

1.2.5 The Combination expands and diversifies Myer's shareholder base following the In Specie Distribution, with improved trading liquidity and access to capital

Shortly after Completion, Premier will undertake an In Specie Distribution of all its Myer Shares (being the Consideration Shares plus its existing shareholding in Myer) to Premier Shareholders on a pro rata basis, resulting in Premier Shareholders becoming shareholders in the Combined Myer Group directly and Premier ceasing to be a shareholder in Myer.

7. Pro forma for $82 million of cash retained by Just Group, excluding lease liabilities.

As a result, the Combined Myer Group will have a larger and more diversified shareholder base relative to Myer on a standalone basis, which is expected to have several benefits:

- greater relevance of the Combined Myer Group as a publicly traded company;
- enhanced trading volumes and liquidity in Myer Shares;
- pathway to index inclusion and potentially greater research coverage; and
- facilitates greater access to capital markets generally.

Refer to Section 6 for more information on the Combined Myer Group. The terms of the In Specie Distribution are set out in Premier's Explanatory Booklet available at www.asx.com.au and www.premierinvestments.com.au.

1.2.6 The Myer Board intends to declare before Completion, a fully franked Pre-Completion Dividend of 2.5 cents per Myer Share to existing Myer Shareholders, provided all Conditions to the Combination have been satisfied or waived

The Myer Board intends to declare before Completion, a fully franked Pre-Completion Dividend of 2.5 cents per Myer Share to existing Myer Shareholders, which will deliver to Myer Shareholders value of approximately $20.9 million in aggregate,[8] provided all Conditions to the Combination (including Myer Shareholder approval of the Combination Resolution) have been satisfied or waived. If Completion occurs, Myer does not expect to declare an interim dividend in FY25.

Further information on the Pre-Completion Dividend is included in Section 3.3.

1.2.7 Solomon Lew is expected to join the Board of the Combined Myer Group as a non-executive director consistent with Century Plaza Group becoming Myer's largest shareholder following Completion, bringing deep retail expertise with strong economic alignment

Immediately following the In Specie Distribution, it is expected that Century Plaza Group, Premier's largest shareholder and the private investment vehicle of Premier Chairman Solomon Lew, will become Myer's largest shareholder with a pro forma shareholding of 26.8% which is less than Premier's current shareholding in Myer of 31.2%.[9] Solomon Lew is expected to join the Board of the Combined Myer Group as a non-executive director consistent with Century Plaza Group becoming Myer's largest shareholder following Completion.

Solomon brings more than 50 years of experience in the manufacturing, wholesale and retailing of textiles, apparel and general merchandise, as well as property development. Solomon is also a member of the World Retail Hall of Fame and is the first Australian to be formally inducted. Solomon's deep retail sector expertise and strong economic alignment via his direct pro forma shareholding will be invaluable in driving long-term value creation for Myer Shareholders collectively.

1.2.8 The Independent Expert has concluded that the Combination is fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal

Myer has appointed Kroll as the Independent Expert to assess the merits of the Combination and to provide an opinion as to whether the Combination is fair and reasonable to Non-Associated Myer Shareholders.

The Independent Expert has concluded that the Combination is fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal.

8. Based on 837,557,023 Myer Shares outstanding as at the Last Practicable Date.
9. As at the Last Practicable Date.

In arriving at this opinion, the Independent Expert has assessed the value of Apparel Brands (including retained cash and on a control basis) to be in the range of $848.3 million to $946.3 million. The value of the Consideration Shares has been valued in the range of $823.7 million to $1,064.1 million (minority basis, ex-dividend). As the value of the Consideration Shares overlaps with the assessed value range of Apparel Brands (including retained cash), the Independent Expert has concluded that the Combination is fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal.

A copy of the Independent Expert Report is included in Annexure C to this Explanatory Memorandum and the Myer Independent Directors encourage Myer Shareholders to read the report in full.

1.2.9 The Myer Independent Directors unanimously recommend that Myer Shareholders vote in favour of the Combination Resolution, subject to the Independent Expert continuing to conclude that the Combination is either fair and reasonable, or not fair, but reasonable to Non-Associated Myer Shareholders

The Myer Independent Directors have assessed the merits of the Combination and unanimously recommend that Myer Shareholders vote in favour of the Combination Resolution, subject to the Independent Expert continuing to conclude that the Combination is either fair and reasonable, or not fair, but reasonable to Non-Associated Myer Shareholders.

In making their unanimous recommendation, the Myer Independent Directors have considered the advantages and potential risk factors of the Combination, including the information contained in:

- Section 1.2 of this Explanatory Memorandum ("Reasons to vote in favour of the Combination Resolution");
- Section 1.3 of this Explanatory Memorandum ("Reasons why you might vote against the Combination Resolution");
- Section 7 of this Explanatory Memorandum ("Risk factors"); and
- Annexure C of this Explanatory Memorandum ("Independent Expert Report").

Each Myer Independent Director intends to vote in favour of the Combination Resolution in respect of any Myer Shares they hold or control, subject to these same qualifications.

The Myer Independent Directors are entitled to change their recommendation and voting intention if the Independent Expert concludes (and continues to conclude) that the Combination is neither fair nor reasonable or if a Myer Independent Director has determined, after receiving written legal advice from independent senior counsel, that they, by virtue of their relevant directors' duties, are required to change, withdraw, qualify or modify, or abstain from making their recommendation that Myer Shareholders vote in favour of the Combination Resolution.

Further information on Myer Independent Directors' recommendation can be found in Section 3.2.

1.2.10 If the Combination does not proceed, the Myer share price may fall in the near term and the Pre-Completion Dividend will not be declared or paid

On 21 June 2024, being the last trading day prior to Myer's ASX announcement which disclosed it had approached Premier to explore a potential combination with Apparel Brands (Undisturbed Date), the closing price of Myer Shares was $0.645. Since that announcement, the Myer Share price has increased 86.8% (as at the Last Practicable Date). If the Combination does not Complete (including as a result of Myer Shareholders not approving the Combination Resolution), the price of Myer Shares on the ASX may fall, including to a price that is potentially below the closing price of Myer Shares on the Undisturbed Date.

The closing share price of Myer:

- on 21 June 2024, being the Undisturbed Date was, $0.645;
- on 28 October 2024, being the last trading day before the announcement of the Share Sale and Implementation Agreement, was $0.970; and
- on the Last Practicable Date, was $1.205.

1. Key Considerations Relevant to Your Vote

Figure 1 below shows the Myer Share price since 2 January 2020 to the Last Practicable Date:

Figure 1: Myer Share price since 2 January 2020 to the Last Practicable Date[10]

The current price of Myer Shares can be obtained from the ASX website (www.asx.com.au).

In addition, if the Combination does not Complete (including as a result of Myer Shareholders not approving the Combination Resolution), the Pre-Completion Dividend of 2.5 cents per Myer Share will not be declared or paid. In this event, the Myer Board expects to declare an ordinary course interim dividend in FY25, however no guarantee can be given about future dividends, as these matters will depend on future profits of Myer, its financial and taxation position and the Myer Directors' view of the appropriate payout ratio at the time. As such, any interim dividend declared in FY25 may differ from the Pre-Completion Dividend amount of 2.5 cents per Myer Share.

1.3 Reasons why you might vote against the Combination Resolution

Although the Myer Independent Directors unanimously recommend that Myer Shareholders vote in favour of the Combination Resolution, and although the Independent Expert has concluded that the Combination is fair and reasonable to Non-Associated Myer Shareholders,[11] Myer Shareholders should take into consideration the potential reasons to vote against the Combination Resolution outlined in this Section 1.3.

1.3.1 You may not agree with the Myer Independent Directors' recommendation and/or the Independent Expert conclusion

Notwithstanding the unanimous recommendation of the Myer Independent Directors and the conclusion of the Independent Expert, you may believe that the Combination is not in your best interests. The Myer Independent Directors and the Independent Expert are making judgments based on future trading conditions and events which cannot be predicted with any certainty and may prove to be inaccurate (positively or negatively).

You are not obliged to follow the recommendation of the Myer Independent Directors nor to agree with the Independent Expert's conclusion.

10. Source: IRESS market data as at 12 December 2024.
11. In the absence of a superior proposal.

1.3.2 The risk profile of the Combined Myer Group will change which you may consider to be disadvantageous to you relative to the risk profile of Myer on a standalone basis

Myer Shareholders are currently exposed to certain risks by virtue of having an equity interest in Myer.

Even though the businesses of Myer and Apparel Brands are highly complementary, the operations, risk profile and size of the Combined Myer Group will differ from that of Myer on a standalone basis. Sections 4 and 5 of this Explanatory Memorandum set out further detail on the standalone businesses of Myer and Apparel Brands respectively.

Completion of the Combination may present a disadvantage if a Myer Shareholder does not want to change their current investment profile.

Myer Shareholders should read this Explanatory Memorandum carefully to understand the implications of the Combination and should seek investment, legal, or other professional advice in relation to their own circumstances. Further information about the Combined Myer Group can be found in Section 6.

1.3.3 You may consider that there are risks associated with the integration of Myer and Apparel Brands which exceed the benefits of the Combination

You may believe that the integration of Myer and Apparel Brands will be more complicated, may take more time or may require additional cost or investment which is not anticipated at this point in time. Additionally, you may also believe that a failure to achieve a meaningful level of benefits (including any anticipated combination benefits) within an acceptable timeframe or in their entirety may have an unforeseen or adverse effect on the operations, financial performance, cash flows or financial position of the Combined Myer Group.

Further details on the risk factors associated with the Combination can be found in Section 7.

1.3.4 Your percentage shareholding and voting power in the Combined Myer Group will be diluted by the issue of Consideration Shares

Your equity interest in Myer will be diluted if the Combination is implemented. In this regard, the Combination will reduce Myer Shareholders' aggregate interest as a result of the issue of Consideration Shares to Premier, though Myer Shareholders will gain exposure to the Apparel Brands Business and a Combined Myer Group that is expected to deliver significant combination benefits, EPS accretion and long-term value creation for shareholders.

1.3.5 Myer Shares may trade below the current price

The price at which Myer Shares trade on ASX after the Combination is implemented may be influenced by a range of factors and Myer Shares may, over time, trade below the price of Myer Shares on the Last Practicable Date (being $1.205), the date of the Meeting or the Completion Date. The levels of liquidity and volatility at which Myer Shares may trade after the Combination is implemented could differ from those at which Myer Shares currently trade.

In addition, there is no guarantee that Myer Shares post Combination will, over time, trade in line with, or above, the Independent Expert's assessed value per Combined Myer Group Share of $0.95 to $1.22 (minority basis, cum dividend) or that they will trade at or above the price of Myer Shares on the Last Practicable Date of $1.205.

1.4 Other considerations

In considering how to vote in relation to the Combination Resolution, Myer Shareholders should be aware that there are a number of risks, both general in nature and specific to the Combination and the Combined Myer Group. These include:

- risks relating to implementation of the Combination;
- risks relating to the Combined Myer Group; and
- general risks.

These risks are described in detail in Section 7.

2. Frequently Asked Questions

2. Frequently Asked Questions

This Explanatory Memorandum contains detailed information on the proposed Combination. The following section provides summary answers to some questions Myer Shareholders may have in relation to the Combination and will assist them to locate further detailed information in this Explanatory Memorandum.

Question	Answer	More information
Overview of the Combination		
Why have I received this Explanatory Memorandum?	The information set out in this Explanatory Memorandum will assist you, as a Myer Shareholder, to decide how you wish to vote on the Combination Resolution at the Meeting.	Letter from the Myer Executive Chair and Annexure A
What is the Combination?	The Combination involves Myer acquiring Just Group, which at Completion will be the holding entity of Apparel Brands, from Premier. In consideration, Myer will issue 890.5 million Myer Shares to Premier. Just Group will also retain $82 million of cash. Shortly after Completion, Premier will undertake an In Specie Distribution which involves Premier distributing the Consideration Shares and its existing holding of Myer Shares to Premier Shareholders on a pro rata basis. Consequently, Premier will no longer be a Myer Shareholder. Effecting the Combination in this way allows both Myer Shareholders and Premier Shareholders to share in potential upside from the Combined Myer Group. The Combination is subject to satisfaction of various Conditions, including Myer Shareholder and Premier Shareholder approvals, regulatory and other approvals as detailed in Section 9.3.	Sections 3 and 9.3
What is Apparel Brands and who is Premier and Just Group?	Just Group's Apparel Brands Business is a leading specialty fashion retailer consisting of Just Jeans, Jay Jays, Portmans, Dotti and Jacqui E, operating 719 stores with more than 5,500 team members[12] across Australia and New Zealand, supported by digital and eCommerce capabilities. These brands are owned by Just Group Limited, the holding entity of Just Group, which is a wholly owned subsidiary of Premier. Premier is an Australian public company listed on the ASX which operates a number of specialty retail fashion chains within the specialty retail fashion markets in Australia, New Zealand, Asia and Europe.	Section 5

12. As at 27 July 2024.

2. Frequently Asked Questions

Question	Answer	More information
Why is Myer proposing the Combination?	The Myer Independent Directors consider that the Combination of Myer and Apparel Brands is a highly attractive opportunity that is expected to accelerate Myer's key strategic priorities and create a leading retail platform across Australia and New Zealand. The Combination is expected to deliver benefits for both Myer and Premier Shareholders by delivering significantly enhanced scale and capabilities to drive growth, operating leverage and greater capacity to invest in growth across the Combined Myer Group. It is also expected to deliver combination benefits of at least $30 million pre-tax earnings per annum on a run-rate basis over the short to medium term.	Sections 1.2 and 3.1
What do the Myer Independent Directors recommend?	The Myer Independent Directors unanimously recommend that Myer Shareholders vote in favour of the Combination Resolution, subject to the Independent Expert continuing to conclude that the Combination is either fair and reasonable, or not fair, but reasonable to Non-Associated Myer Shareholders. The Myer Independent Directors are entitled to change their recommendation if the Independent Expert concludes (and continues to conclude) that the Combination is neither fair nor reasonable or if a Myer Independent Director has determined, after receiving written legal advice from independent senior counsel, that they, by virtue of their relevant directors' duties, are required to change, withdraw, qualify or modify, or abstain from making their recommendation that Myer Shareholders vote in favour of the Combination Resolution.	Section 3.2
Who are the Myer Independent Directors?	The Myer Independent Directors are all Myer Directors except Terry McCartney, who is also a director of Premier.	Section 4.5
How are the Myer Independent Directors intending to vote?	All of the Myer Independent Directors intend to vote, or cause to be voted, all of their Myer Shares in favour of the Combination Resolution, subject to the Independent Expert continuing to conclude that the Combination is either fair and reasonable, or not fair, but reasonable to Non-Associated Myer Shareholders. The Myer Independent Directors are entitled to change their voting intention if the Independent Expert concludes (and continues to conclude) that the Combination is neither fair nor reasonable or if a Myer Independent Director has determined, after receiving written legal advice from independent senior counsel, that they, by virtue of their relevant directors' duties, are required to change, withdraw, qualify or modify, or abstain from making their recommendation that Myer Shareholders vote in favour of the Combination Resolution.	Section 3.2

Question	Answer	More information
What has the Independent Expert said?	The Independent Expert has concluded that the Combination is fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal. The Independent Expert Report is included in full in this Explanatory Memorandum in Annexure C.	Section 3.4 and Annexure C
What are the reasons to vote in favour of the Combination Resolution?	The reasons why you should consider voting in favour of the Combination Resolution are set out in Section 1.2 and are summarised as follows: • creates a leading Australian omni-channel retail platform with significantly enhanced scale and capabilities to drive growth and operating leverage benefits; • accelerates Myer's key strategic priorities identified in the Strategic Review; • is expected to generate annual pre-tax earnings benefits of at least $30 million on a run-rate basis over the short to medium term and delivers significant EPS accretion on a pro forma FY24 basis; • delivers an enhanced balance sheet and greater capacity to invest in growth across the combined business; • expands and diversifies Myer's shareholder base following the In Specie Distribution, with improved trading liquidity and access to capital; • the Myer Board intends to declare before Completion, a fully franked Pre-Completion Dividend of 2.5 cents per Myer Share to existing Myer Shareholders, provided all Conditions to the Combination have been satisfied or waived; • Solomon Lew is expected to join the Board of the Combined Myer Group as a non-executive director consistent with Century Plaza Group becoming Myer's largest shareholder following Completion, bringing deep retail expertise with strong economic alignment; • the Independent Expert has concluded that the Combination is fair and reasonable to Non-Associated Myer Shareholders in the absence of a superior proposal; • the Myer Independent Directors unanimously recommend that Myer Shareholders vote in favour of the Combination Resolution, subject to the Independent Expert continuing to conclude that the Combination is either fair and reasonable, or not fair, but reasonable to Non-Associated Myer Shareholders; and • if the Combination does not proceed, the Myer share price may fall in the near term and the Pre-Completion Dividend will not be declared or paid.	Section 1.2

2. Frequently Asked Questions

Question	Answer	More information
What are the reasons to vote against the Combination?	The reasons why you might consider voting against the Combination Resolution are set out in Section 1.3, and include that: • you may disagree with the Myer Independent Directors' recommendation and/or the Independent Expert's conclusion; • the risk profile of the Combined Myer Group will change which Myer Shareholders may consider to be disadvantageous to you relative to the risk profile of Myer on a standalone basis; • you may consider that there are risks associated with the integration of Myer and Apparel Brands which exceed the benefits of the Combination; • your percentage shareholding and voting power in Myer will be diluted by the issue of the Consideration Shares to Premier; and • Myer Shares may trade below the current price.	Section 1.3
What are the potential risks of the Combination?	If Completion of the Combination occurs, Myer Shareholders may be exposed to several risks including, but not limited to risks relating to: • the implementation of the Combination; • the Combined Myer Group; and • general risks. These risks are described in detail in Section 7.	Section 7
What is the Pre-Completion Dividend?	The Myer Board intends to declare before Completion a fully franked Pre-Completion Dividend of 2.5 cents per Myer Share to existing Myer Shareholders, provided all Conditions to the Combination have been satisfied or waived.	Section 3.3
Will I receive an interim dividend in FY25 in addition to the Pre-Completion Dividend?	The Myer Board intends to declare before Completion a fully franked Pre-Completion Dividend of 2.5 cents per Myer Share to existing Myer Shareholders, which will deliver Myer Shareholders aggregate value of approximately $20.9 million,[13] provided all Conditions to the Combination have been satisfied or waived. If Completion occurs, Myer does not expect to declare an interim dividend in FY25.	Section 3.3
Will there be changes to the Myer Board as a result of the Combination?	Immediately following the In Specie Distribution, it is expected that Century Plaza Group, Premier's largest shareholder and the private investment vehicle of Premier Chairman Solomon Lew, will become Myer's largest shareholder with a pro forma shareholding of 26.8% which is less than Premier's current shareholding in Myer of 31.2%.[14] Solomon Lew is expected to join the Board of the Combined Myer Group as a non-executive director consistent with Century Plaza Group becoming Myer's largest shareholder following Completion.	Sections 1.2.7 and 6.4.2

13. Based on 837,557,023 Myer shares outstanding as at the Last Practicable Date.
14. As at the Last Practicable Date.

Question	Answer	More information
Who will be the largest shareholder of Myer post Completion?	At the Last Practicable Date, there are 837,557,023 Myer Shares on issue. If the Combination is Completed, Myer will issue the Consideration Shares to Premier and the total number of Myer Shares on issue will be approximately 1,728,057,023. Immediately following the In Specie Distribution, Myer Shareholders will own approximately 33.4% of the Combined Myer Group, Premier Shareholders (excluding Century Plaza Group) will own approximately 39.8% of the Combined Myer Group and Century Plaza Group will own approximately 26.8% of the Combined Myer Group which is less than Premier's current shareholding in Myer of 31.2%.[15]	Section 6.7
Voting at the Meeting		
Where and when will the Meeting be held?	The Meeting will be held at 9:00am on 23 January 2025 (Melbourne time). The Meeting will be a hybrid meeting, held in person at The Edge, Fed Square – Swanston Street & Flinders Street, Melbourne VIC 3000, and online at https://meetings.linkgroup.com/MYRGM25.	Key Dates and Annexure A
How do I vote?	Myer Shareholders may vote on the Combination Resolution: • in person, by attending the Meeting at The Edge, Fed Square – Swanston Street & Flinders Street, Melbourne VIC 3000 or online via the online platform at https://meetings.linkgroup.com/MYRGM25; • before the Meeting, online at https://investorcentre.linkgroup.com or by completing and submitting the personalised Voting and Proxy form to the Myer Registry; or • by duly appointed proxy, attorney or corporate representative.	Section 3.5 and Annexure A
What if I cannot or do not wish to attend the Meeting?	Myer Shareholders who cannot or do not wish to attend the Meeting may appoint a proxy to attend and vote at the Meeting or may utilise direct voting to exercise their voting rights without needing to attend the Meeting or appoint a proxy. Myer encourages you to register your direct voting or proxy instructions online at the Myer Registry website. Proxies will only be valid and accepted by Myer if they are signed and received no later than 9:00am on 21 January 2025.	Annexure A
Is voting compulsory?	Voting is not compulsory. However, your vote is important in deciding whether the Combination Resolution is approved.	n/a

15. As at the Last Practicable Date.

2. Frequently Asked Questions

Question	Answer	More information
Who is excluded from voting on the Combination?	Myer will disregard any votes cast in favour of the Combination Resolution by or on behalf of: • any persons who are expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of the Consideration Shares (except a benefit solely by reason of being the holder of ordinary shares in Myer or Premier); and • an associate of that person or those persons. Votes cast by Premier on the Combination Resolution will be excluded.	Annexure A
When will the results of the Meeting be known?	Results of the Combination Resolution are expected to be known shortly after the close of the Meeting on 23 January 2025 and published on the ASX. Results will be released to ASX and uploaded to Myer's website at https://investor.myer.com.au.	Annexure A
Implementation of the Combination		
What are the conditions that need to be satisfied for the Combination to occur?	Completion of the Combination is subject to the satisfaction or waiver (where capable of waiver) of a number of Conditions. These Conditions include Myer and Premier shareholder approval. Myer is not currently aware of any reason to expect that the Conditions will not be satisfied or waived on or around the date of the Meeting.	Section 9.3
What happens if the Combination does not complete?	If the Combination does not complete for any reason (including if Myer Shareholders do not approve the Combination Resolution), Myer will not issue the Consideration Shares, Myer will not declare the Pre-Completion Dividend and Apparel Brands will remain a wholly owned business of Premier (unless Premier determines otherwise).	Section 1.2.10
What are the tax implications of the Combination for Myer Shareholders?	Myer Shares held by existing Myer Shareholders will not be impacted by the Combination, and they will not receive any consideration in connection with the Combination. Myer Shareholders, who are also Premier Shareholders, should also refer to the information issued to them by Premier. Premier's Explanatory Booklet will be available at www.asx.com.au and www.premierinvestments.com.au.	Section 8
What transitional services will be provided between Myer and Premier following Completion?	Establishing the Apparel Brands Business as an independent and separate business from Premier is a significant undertaking. From Completion, Premier and Myer will provide each other with certain transitional services through the TSAs to support the sale of Just Group to Myer.	Section 6.4.1

Question	Answer	More information
When will the Combination be completed?	Myer and Premier are working to complete the Combination as soon as possible. Completion of the Combination is expected to occur on 26 January 2025 and the issue of Consideration Shares is expected to occur on 29 January 2025. Myer intends to issue a cleansing notice under section 708A(5) of the Corporations Act in respect of the Consideration Shares. Therefore, Myer does not intend to issue the Consideration Shares under a prospectus. Completion of the Combination remains subject to certain regulatory confirmations and approvals, as well as approval by Myer Shareholders at the Meeting and approval of Premier Shareholders at the Premier Shareholder meeting.	Key Dates and Annexure A
What will Premier Shareholders receive if the Combination completes?	Premier will receive the Consideration Shares, representing 890,500,000 Myer Shares. Shortly after Completion, Premier will undertake the In Specie Distribution which involves Premier distributing the Consideration Shares and its existing holding of Myer Shares to Premier Shareholders on a pro rata basis. Further details about the In Specie Distribution and its terms are set out in Premier's Explanatory Booklet available at www.asx.com.au and www.premierinvestments.com.au.	Sections 3.1
What if I am also a Premier Shareholder?	If you are a Myer Shareholder who is also a Premier Shareholder, you should carefully consider all material made available to you by Premier. Premier Shareholders will not be excluded from voting on the Combination Resolution simply because they are Premier Shareholders.	Annexure A
Where can I find more information about Myer, Apparel Brands and the Combination?	You can find out more information about Myer, Apparel Brands and the Combination by reading this Explanatory Memorandum. See also response to "Further questions" below.	All Sections and Annexures of this Explanatory Memorandum
Further questions	If you are in any doubt as to any action to take in relation to the Combination, you should consult your legal, financial, taxation or other professional adviser.	n/a

3. Overview of the Combination Resolution

3. Overview of the Combination Resolution

3.1 Outline of the Combination

On 24 June 2024, Myer announced it was undertaking a comprehensive Strategic Review of the business and had approached Premier to explore a potential combination with its Apparel Brands Business.

On 29 October 2024, Myer announced that following the successful completion of reciprocal confirmatory due diligence, it had entered into a binding Share Sale and Implementation Agreement with Premier to implement the transformational combination of Myer and Apparel Brands.

Under the Share Sale and Implementation Agreement, Myer will issue 890.5 million shares to Premier in consideration for the acquisition of Just Group, which will own the Apparel Brands and retain $82 million of cash. Following the issuance of Consideration Shares, Myer Shareholders (including Premier's existing shareholding) will hold 48.5% of issued capital in Myer, while Premier will receive 51.5% of issued capital in Myer.

The Myer Board intends to declare before Completion the Pre-Completion Dividend of 2.5 cents per Myer Share to existing Myer Shareholders, provided all conditions to the Combination have been satisfied or waived. If Completion occurs, Myer does not expect to declare an interim dividend in FY25.

Shortly after Completion, Premier will undertake the In Specie Distribution which involves Premier distributing the Consideration Shares and its existing holding of Myer Shares to Premier Shareholders on a pro rata basis, such that Premier will no longer be a shareholder in Myer.

Immediately following the In Specie Distribution, Century Plaza Group, Premier's largest shareholder and the private investment vehicle of Premier Chairman Solomon Lew, is expected to become Myer's largest shareholder with pro forma ownership of 26.8%, which is less than Premier's current shareholding in Myer of 31.2%.[16]

The Combination is subject to a number of Conditions including:

- Myer Shareholder approval pursuant to ASX Listing Rule 10.1 and ASX Listing Rule 10.11;
- Premier Shareholder approval pursuant to section 256C of the Corporations Act;
- Completion of the Pre-Completion Restructure of Just Group by Premier;
- Entry into a binding long form documentation in relation to certain transitional services, website agreements, and separation arrangements in each case based on agreed term sheets; and
- The parties obtaining certain regulatory reliefs and confirmations from ASIC and ASX.

3.2 Myer Independent Directors' recommendation

After carefully considering all aspects, benefits and risks of the Combination and the Independent Expert Report, the Myer Independent Directors unanimously support the Combination and recommend that Myer Shareholders vote in favour of the Combination Resolution, subject to the Independent Expert continuing to conclude that the Combination is either fair and reasonable, or not fair, but reasonable to Non-Associated Myer Shareholders.[17]

Each Myer Independent Director intends to vote in favour of the Combination Resolution in respect of any Myer Shares they hold or control, subject to these same qualifications.

In reaching their unanimous recommendation, the Myer Independent Directors have considered a range of factors, including the potential for existing Myer Shareholders to share in the potential value creation from the expected opportunities, scale and growth of the Combined Myer Group.

16. As at the Last Practicable Date.
17. The Myer Independent Directors are entitled to change their recommendation and voting intention if the Independent Expert concludes (and continues to conclude) that the Combination is neither fair nor reasonable or if a Myer Independent Director has determined, after receiving written legal advice from independent senior counsel, that they, by virtue of their relevant directors' duties, are required to change, withdraw, qualify or modify, or abstain from making their recommendation that Myer Shareholders vote in favour of the Combination Resolution.

3. Overview of the Combination Resolution

3.3 Myer Pre-Completion Dividend

In accordance with the Share Sale and Implementation Agreement, the Myer Board intends to declare before Completion, a fully franked Pre-Completion Dividend of 2.5 cents per Myer Share to all existing Myer Shareholders, provided all conditions of the Combination (which includes Myer Shareholders voting in favour of the Combination Resolution) have been satisfied or waived. If Completion occurs, Myer does not expect to declare an interim dividend in FY25.

A fully franked dividend of 2.5 cents per Myer Share would have approximately 1.1 cents per Myer Share of franking credits attached. Whether a Myer Shareholder will be able to realise the full benefit of franking credits attached to the Pre-Completion Dividend will depend on their tax status and specific circumstances. Myer Shareholders should seek independent taxation advice in respect of this matter.

3.4 Independent Expert conclusion

Myer has appointed Kroll as the Independent Expert to assess the merits of the Combination and to provide an opinion as to whether the Combination is fair and reasonable to Non-Associated Myer Shareholders.

The Independent Expert has concluded that the Combination is fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal.

In arriving at this opinion, the Independent Expert has assessed the value of Apparel Brands (including retained cash and on a control basis) to be in the range of $848.3 million to $946.3 million. The value of the Consideration Shares has been valued in the range of $823.7 million to $1,064.1 million (minority basis, ex-dividend). As the value of the Consideration Shares overlaps with the assessed value range of Apparel Brands (including retained cash), the Independent Expert has concluded that the Combination is fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal.

A copy of the Independent Expert Report is included in Annexure C to this Explanatory Memorandum and the Myer Independent Directors encourage Myer Shareholders to read the report in full.

3.5 What should you do?

Step 1: Read this Explanatory Memorandum

You should carefully read this Explanatory Memorandum in its entirety before deciding whether to vote in favour of the Combination Resolution.

If you have any questions in relation to the Combination or how to vote, please call the Myer Shareholder Information Line on 1300 038 212 (within Australia) or +61 2 9066 4052 (outside Australia) between 9:00am and 5:00pm (Melbourne time), Monday to Friday (excluding public holidays). If you have any questions in relation to your Myer shareholding, please contact the Myer Registry on +61 1300 820 260.

If you are in any doubt as to what you should do, please consult your legal, financial, tax or other professional adviser without delay.

Step 2: Vote on the Combination Resolution

(a) Your vote is important

For the Combination to proceed, the Combination Resolution must be passed by a majority of Myer Shareholders present and voting at the Meeting.

(b) Who is entitled to vote?

If you are registered on the Myer Share Register at 7:00pm (Melbourne time) on 21 January 2025, and you are not excluded from voting, you will be entitled to vote on the Combination Resolution.

(c) Details of the Meeting

The Meeting to approve the Combination Resolution is scheduled to be held at 9:00am on 23 January 2025 (Melbourne time) in person at The Edge, Fed Square – Swanston Street & Flinders Street, Melbourne VIC 3000 and online at https://meetings.linkgroup.com/MYRGM25. Myer Shareholders and their proxies, attorneys or corporate representatives will be able to participate in person and online. Myer Shareholders who are unable to attend in person can access the Meeting via live webcast at https://meetings.linkgroup.com/MYRGM25.

Myer Shareholders accessing the webcast will not be able to vote, ask questions or make comments via the webcast. Further information about attending the Meeting can be found in the Notice of Meeting in Annexure A.

(d) How to vote?

Myer Shareholders may vote:

- in person, by attending the Meeting in person at The Edge, Fed Square – Swanston Street & Flinders Street, Melbourne VIC 3000 or by attending the Meeting online by logging into the online platform at https://meetings.linkgroup.com/MYRGM25;
- before the Meeting, online at https://investorcentre.linkgroup.com or by completing and submitting your personalised Voting and Proxy Form to the Myer Registry;
- by proxy, by completing and submitting the Proxy Form in accordance with the instructions set out on the form or by submitting a Proxy Form online at https://investorcentre.linkgroup.com. To be valid, your proxy form must be received by the Myer Registry by 9:00am (Melbourne time) on 21 January 2025;
- by attorney, by appointing an attorney to attend and vote at the Meeting on your behalf and providing a duly executed power of attorney to the Myer Registry by 9:00am (Melbourne time) on 21 January 2025; or
- by corporate representative, in the case of a body corporate that is a Myer Shareholder, by appointing a corporate representative to attend and vote at the Meeting on behalf of that Myer Shareholder and providing a duly executed 'Appointment of Corporate Representative' form (in accordance with section 250D of the Corporations Act) prior to the Meeting.

Further details on how to vote are contained in the Notice of Meeting in Annexure A.

4. Overview of Myer

4. Overview of Myer

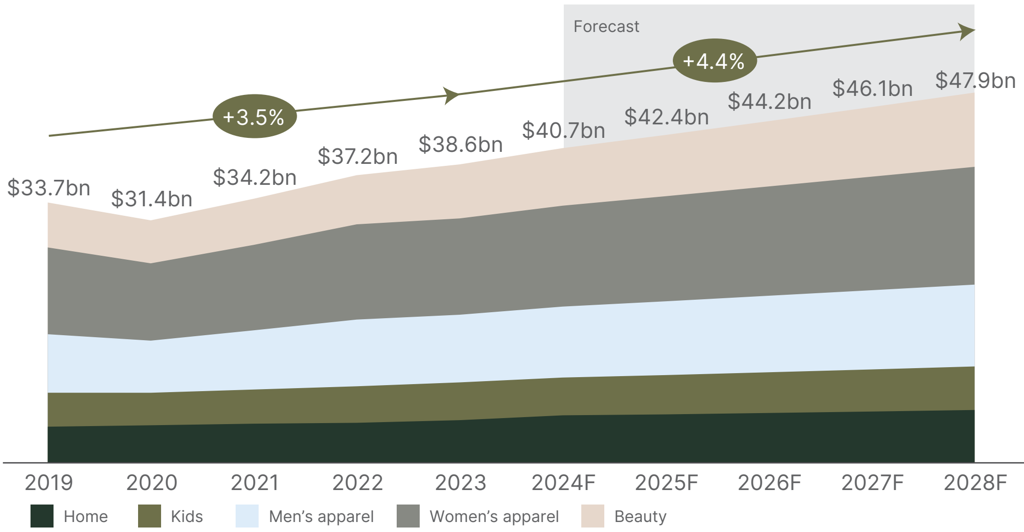
Headquartered in Melbourne, Myer is one of Australia's favourite and most trusted retailers operating a network of 56 department stores, an online platform (myer.com.au), eight specialty retail stores[18] and four distribution centres nationally. Myer's merchandise offer comprises its five core product categories: Womenswear, Menswear, Kids,[19] Beauty and Home, as well as general merchandise and electrical goods.

With 124 years of retailing heritage, and through the work of Myer's 11,800 team members,[20] Myer has established itself as a leading brand with a loyal customer base, including more than 10 million MYER one members. The majority of Myer's operations are in Australia, encompassing Myer department stores and sass & bide and Marcs and David Lawrence specialty stores. Alongside its physical retail sites, Myer's online business is a significant asset representing 21.6% of total sales in FY24.

4.1 Australian Discretionary Retail Market

Myer participates in the Australian discretionary retail market, which has seen strong growth in recent years. From 2019, the Australian discretionary retail market (which includes the five key segments in which Myer participates being: Womenswear, Menswear, Kids,[19] Beauty and Home) has grown 3.5% p.a. to approximately $39 billion in 2023; and is projected to grow at 4.4% p.a. to approximately $48 billion by 2028. All five of these segments have grown since 2019 and are projected to continue to grow through to 2028 (refer to Figure 2).

Figure 2: Australian discretionary retail segments Myer participates in – size and growth[21]



	CAGR 2019-2023	CAGR 2023-2028F	Myer's market position
Beauty	4.7%	6.6%	2nd
Women's apparel	2.6%	4.1%	2nd
Men's apparel	3.7%	3.9%	3rd
Kids	2.7%	3.2%	5th
Home	4.2%	4.4%	3rd

18. sass & bide and Marcs and David Lawrence store numbers as at December 2024.
19. Includes Kids apparel and toys.
20. Includes casual staff but excludes sass & bide and Marcs and David Lawrence staff as at 28 October 2024.
21. Source: Euromonitor data as at June 2024 for historical and forecast market performance. Myer's market position based on Myer revenue and estimated competitor revenues as at July 2024. Home excludes furniture and outdoor; Kids includes Kids apparel and toys.

4. Overview of Myer

The Australian discretionary retail market is highly fragmented across all five key segments, with players ranging from corporatised multi-brand retailers, specialty retailers, online multi-brand platforms, online pure players and a long tail of smaller scale retailers.

Myer holds strong positions in all of its core product categories, maintaining a top three position in Womenswear, Menswear, Home and Beauty, and a top five position in Kids. Myer's online penetration across all key categories is also strong at 21.6% in FY24.[22] The strength of Myer's existing market position and strong online penetration in its core categories underpin its 'right to win' in these key categories going forward.

4.2 Myer Today

Operating in the discretionary retail market means Myer is required to navigate through macroeconomic and consumer cycles as well as rapidly evolving retail market dynamics.

The last five years has not only seen Myer navigate the COVID-19 global pandemic but also transition the business into a profitable and stronger business which has returned to paying regular dividends to its shareholders and re-established Myer as Australia's seventh most trusted brand, according to Roy Morgan.

Myer today is custodian to a portfolio of unique, market-leading assets and capabilities, including:

- **Brand strength and customer satisfaction:** Myer is an iconic and highly reputable brand supported by a strong team culture with highly engaged team members delivering a record 85%[22] in-store customer satisfaction and a comprehensive offering with broad customer appeal.
- **Leading loyalty ecosystem:** MYER one is one of the largest and most engaging loyalty programs in Australia with more than 10 million members and a 77% tag rate[22] (percentage of sales from members). When combined with pay-with-points partners Commonwealth Bank, Virgin Velocity and American Express, the loyalty ecosystem provides access to approximately 36 million combined cardholders[22] creating a unique source of potential growth and revenue.
- **Interconnected store network and online offer:** Myer's national network of 56 department stores and four DCs in prime locations is difficult to replicate. It also has a powerful omni-channel offer with more than 21.6% online penetration[22] and approximately 192 million website visits to myer.com.au a year.[23]
- **Strong foundation for growth:** Solid revenue base, a robust balance sheet and stabilised financial performance provides a strong foundation for growth.

With the business successfully stabilised and strengthened, Myer is well placed to leverage its unique market-leading assets and capabilities to reposition itself for growth.

4.3 Myer's Strategic Vision

In March 2024, Myer commenced a broad-ranging Strategic Review focused on repositioning Myer's retail platform for sustainable and profitable long-term growth in an evolving retail landscape.

The review has included a comprehensive assessment of Myer's product offering, brand portfolio, store network, supply chain, eCommerce platform, loyalty program, technology, capital management framework and cost base.

As disclosed in June 2024,[24] the preliminary phase of the review identified growth of Myer's specialty and exclusive brands portfolio as a priority. In light of this, Myer announced that it would cease the sale process of its specialty brands sass & bide and Marcs and David Lawrence.

22. Source: Myer FY24 Annual Report.
23. Source: Google Analytics (GA4) as at December 2024.
24. Myer's ASX announcement dated 24 June 2024.

While the review remains ongoing, Myer has since further developed its strategic vision to encompass the following six key pillars for growth.

1. Appeal to new and underpenetrated customer segments including womenswear and youth

- Better engage with customers seeking value who want more fashionable choices and an easy, enjoyable shopping 'experience'.

2. Focus on delivering stronger product proposition, particularly across apparel and beauty

- Renewed focus on brand portfolio to appeal to a more fashion-oriented customer; and
- Improve MEB/private label offer, strengthening margins whilst offering customers a point of difference from competitors.

3. Expand Myer's omni-channel and online capabilities, sales and offer

- Myer is well-placed to capitalise on growth in the Australian Apparel and Beauty sectors, which is predominantly coming from online channels.

4. Unlock further value through MYER one and loyalty ecosystem

- MYER one is a world-class loyalty brand – expand the program, driving greater personalisation capabilities and leverage the broader loyalty ecosystem.

5. Deliver a winning store experience, greater store productivity and new store formats

- Opportunity to reset Myer's store proposition against all catchments, including flagships with significant latent potential across 'middle' of estate, and develop new store formats.

6. Achieve operational excellence across the full value chain, especially in design, sourcing and manufacturing

- Continued focus on delivering better efficiencies and margins across the full value chain; and
- Clear financial framework that links future capital allocation to total shareholder return and enables prudent investment in growth.

Underpinning each of these six strategic priorities is the overarching objective of enhancing Myer's value proposition to reconnect with its customers to drive sustainable and profitable growth.

While Myer's assets and capabilities provide a strong foundation from which to grow, Myer believes the Combination with Apparel Brands significantly accelerates the delivery of its strategic priorities. The strategic rationale and expected benefits of the Combination are further discussed in Section 6.

Over the longer term, Myer's strategic goals will be supported by: ongoing investment in critical core capabilities; an engaged and motivated team; world-class digital technologies; and innovation and a robust financial foundation to unlock future investment.

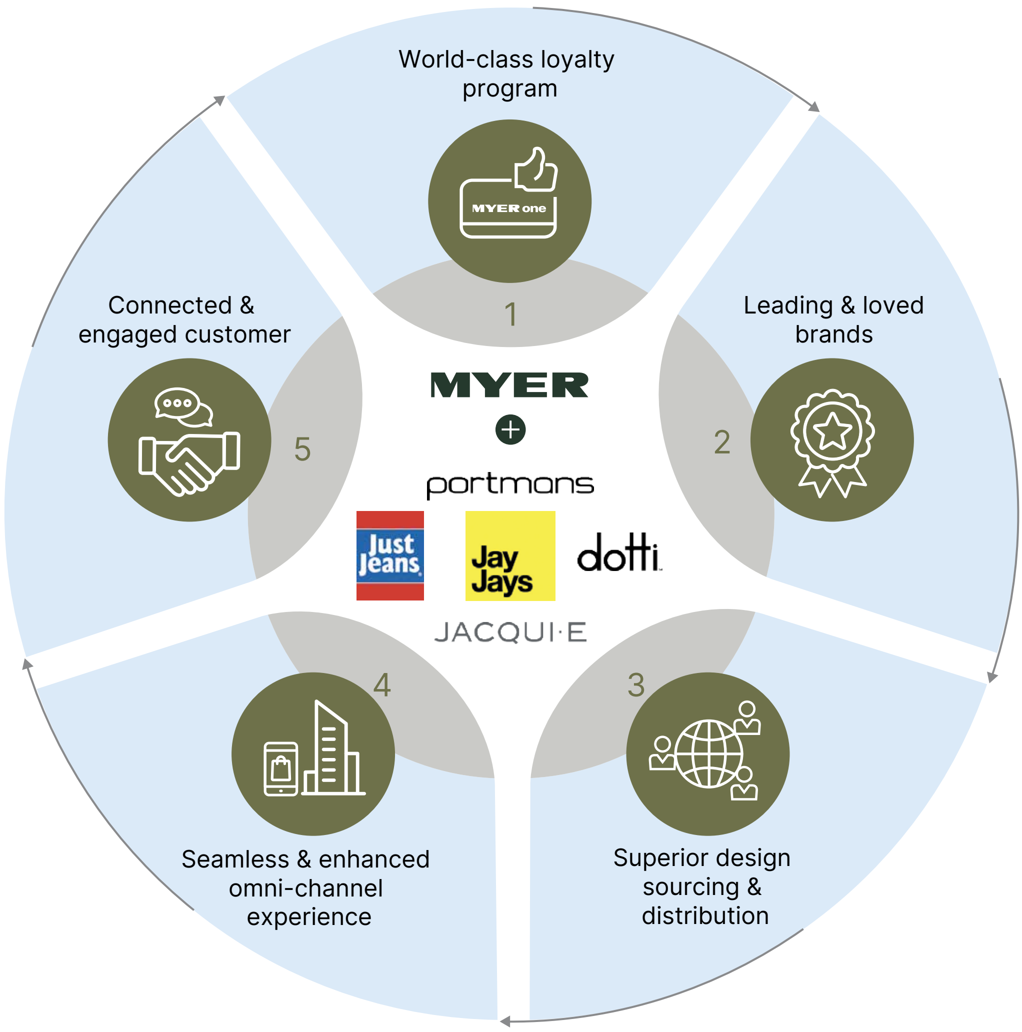
4.4 Myer's Retail Engine

Myer believes that by delivering on its strategic vision, it will create a 'retail engine' to drive sustainable and profitable growth underpinned by five key pillars:

1. An expanded loyalty program attracts customers and boosts frequency of transaction.
2. Attractive and complementary brands appeal to a broader customer base.
3. The Combined Myer Group's joint design, sourcing and distribution capability enables faster speed to market and stronger margins.
4. An expansive network of stores plus the eCommerce platform enables a seamless customer experience, increasing conversion rate and basket size.
5. The Combined Myer Group can learn more about its connected and engaged customers, enabling personalised offers and more informed business decision making via MYER one.

4. Overview of Myer

Figure 3: Myer's retail engine



4.4.1 Customer and Loyalty

4.4.1.1 Customer trends in discretionary retail

According to customer surveys conducted by Myer in 2024,[25] customer trends in discretionary retail have been driven by shifting needs and shopping habits. Online sales of all segments have grown since 2018, although many categories have plateaued since the COVID-19 influenced peak of 2020/2021. In discretionary retail, the main customer trends of note include:

- **Desire for trusted brands**, particularly in Apparel and Beauty segments. Customers tend to seek out preferred brands, with 89% of Apparel shoppers and 93% of Beauty shoppers having a preferred retailer. 'Brand selection' is cited by one in three customers as a key reason to shop at Myer.
- **Focus on value for money**, with customers seeking the right balance of quality and price point. Approximately 75% of customers say that promotions directly impact what they buy and from where.
- **Loyalty programs are valued**, with customers being members of 3.5 loyalty programs on average, and half of loyalty program members cite points as a key driver of choosing a specific retailer.

25. Data collected from over 6,000 respondents.

- **'No barriers' omni-channel experience**, with easier browsing, search and check-out online; and more seamless integration with the in-store shopping experience. 37% of customers still want to be able to browse in-store, whereas 22% of customers find more inspiration via online stores and apps.

Myer's brand strength, comprehensive product range, market-leading loyalty ecosystem and strong omni-channel offering provide a strong platform from which to continue to deliver products and services that address customers' shifting needs and shopping habits.

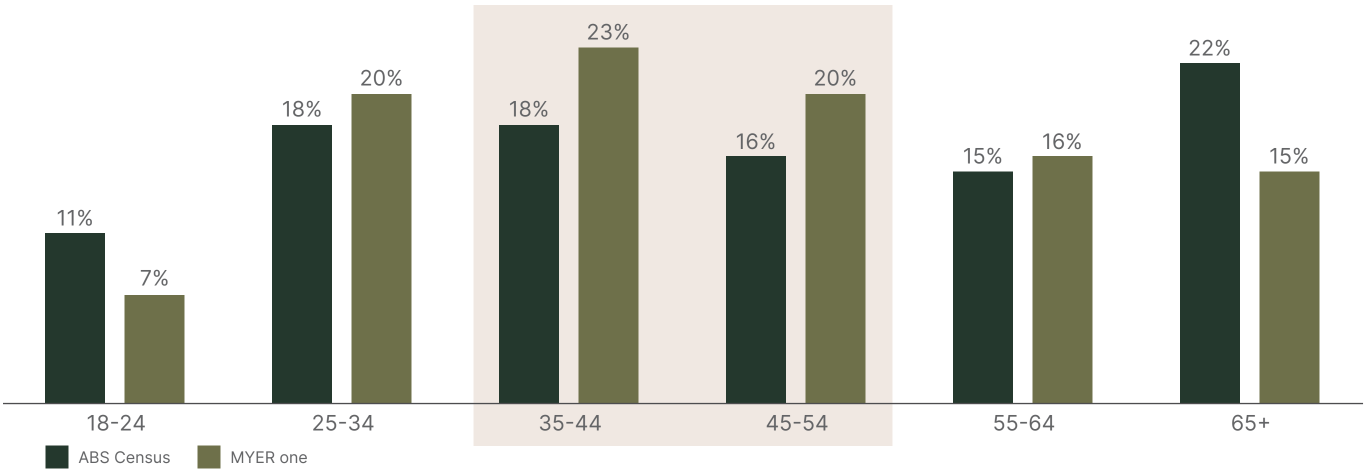
4.4.1.2 Myer's customers

Myer has a broad and diverse customer base that is representative of the Australian population (refer Figure 4), encompassing all genders, age groups, income levels, location (rural vs. metropolitan), levels of education and ethnic background. Myer aims to create a curated but comprehensive product offering catering to all demographics at a wide range of price points.

However, Myer remains under-indexed in certain customer segments. Within the Apparel segment, this includes the youth (refer Figure 4) and female customers under the age of 31.

As noted in Section 4.2, one of Myer's strategic priorities is to appeal to these under-indexed segments to accelerate Myer's journey to becoming a multi-category, multi-brand, omni-channel retailer of choice in the Australian discretionary retail market.

Figure 4: Age distribution of MYER one members versus the Australian adult population[26]



4.4.1.3 MYER one and loyalty ecosystem

As discussed in Section 4.2, MYER one is one of the largest and most engaged loyalty programs in Australia and is a key strategic differentiator for Myer. Members earn two credits for every $1 purchased at Myer, which convert into rewards vouchers on a quarterly basis.

For every 1,000 MYER one credits earned, members receive a $10 rewards card. The program is tiered with members able to reach Silver and Gold tiers progressively based on annual spend. The Platinum tier of membership is accessible by invitation only. All MYER one members have access to exclusive member offers, early sales access and birthday rewards.

26. Source: Australian Bureau of Statistics (ABS) Census data as at 2021; age distribution data of MYER one as at June 2024.

With more than 10 million members, 4.4 million active members (being members that have transacted in the last 12 months), and a 77% tag rate (percentage of sales from members), MYER one provides rich first-party data enabling Myer to make insight-led decisions across the business. In doing so, the program delivers substantial commercial value, with personalisation being a key driver of customer lifetime value and share of wallet.

Myer also has a partnership ecosystem which is a powerful asset enhancing the loyalty value proposition for its customers. This includes pay-with-points programs with Commonwealth Bank, Virgin Velocity and American Express as a form of tender. Combined with MYER one, these programs provide access to more than 36 million combined cardholders[27] and new marketing channels to amplify campaigns, acquire new shoppers and drive greater value by providing an independent source of data collection.

The MYER one program has delivered 9.2% compound annual growth in active members over the past five years (refer Figure 5 below) driven by ongoing investment in developing proprietary predictive models and tools that drive the loyalty program. These innovations are difficult to replicate by other retailers without investing significant time and capital, making MYER one an intrinsically valuable asset and competitive moat for Myer.

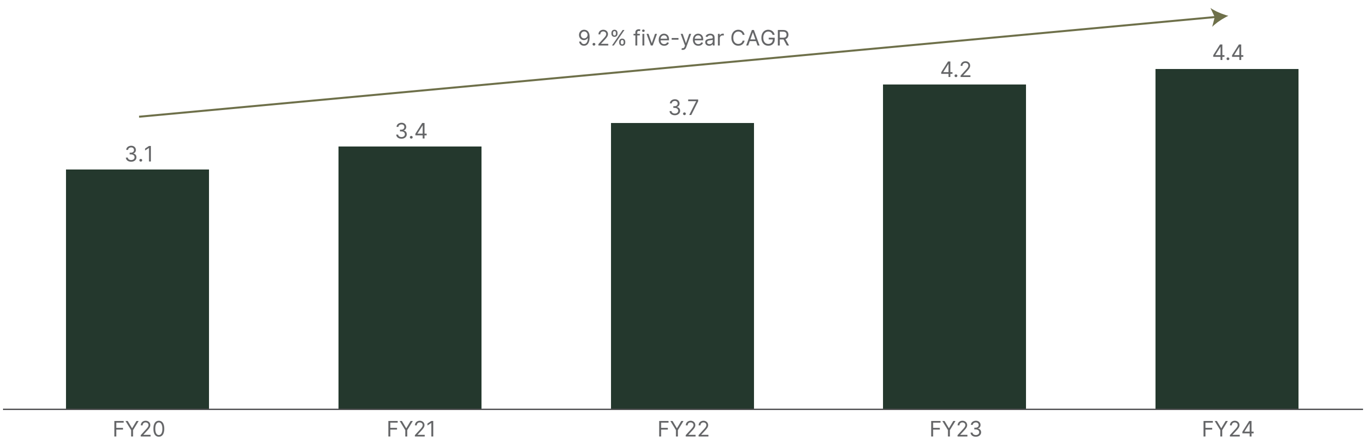
4.4.2 Category and Brands

4.4.2.1 Product categories

As discussed earlier in this section, Myer has five core product categories: Womenswear, Menswear, Kids,[28] Beauty and Homewares. In addition, Myer also operates in the general merchandise and electrical goods categories. Myer believes that depth and breadth of product offering at a wide range of price points is a key driver of its customer value proposition. Myer also believes offering a wide range of products across multiple categories promotes cross-sell benefits, particularly when partnered with Myer's insight-led, personalised offers driven by its loyalty program.

The underlying markets for each of Myer's five core product categories in Australia remain healthy, growing between 2.6% and 4.7% annually over 2019 to 2023, with each market category projected to continue to grow between 3.6% to 6.6% annually to 2028. Furthermore, Myer's position within each underlying market is strong, particularly in Womenswear, Menswear and Beauty where Myer maintains a top three market position. See Table 1 for further details.

Figure 5: Active MYER one members over time (millions)



27. Source: Myer Annual Report FY24.
28. Includes Kids apparel and toys.

Table 1: Summary of Myer's core product categories, relevant market size and market position[29]

		Market			
Category	Description	Size (2024F)	Historical CAGR (2019A-23A)	Forecast CAGR (2023A-28F)	Myer market position[30]
Womenswear	Clothing, swimwear, lingerie, sleepwear, accessories	$13.1bn	2.6%	4.1%	#2
Menswear	Clothing, suiting, occasion wear, shoes, accessories	$9.2bn	3.7%	3.9%	#3
Kids	Babywear, apparel, swimwear, shoes, activewear, carriers/prams, accessories and toys	$4.9bn	2.7%	3.2%	#5
Beauty	Skincare, makeup, fragrance, beauty accessories	$7.5bn	4.7%	6.6%	#2
Home	Bedding, bath linens, kitchenware, home décor	$6.2bn	4.2%	4.4%	#3

4.4.2.2 Brands

In order to ensure broad customer appeal across its product range, and to offer its customers an extensive range of brands at a wide range of price points, Myer sources its products in three ways, as detailed in Table 2.

While each channel serves a distinct purpose within Myer's brand strategy, as further discussed in Sections 6.3.3, 6.3.4 and 6.3.5, Myer Exclusive Brands (MEBs) and specialty brands play an important role in Myer's go-forward strategy as these channels generate significantly higher retail margins than other channels.

Table 2: Brand channels

Channel	Description	Strategy
Myer Exclusive Brands (private label) and specialty brands	Brands that are owned, developed and designed by Myer. MEBs are sold exclusively through Myer, whereas specialty brands are also sold outside of Myer (e.g. sass & bide, Marcs and David Lawrence).	Increase penetration to shift product mix towards private label to drive increases in Myer's overall margin and exclusivity.
National brands	Brands that are owned, developed and designed by external parties and supplied to Myer on wholesale terms, generally on a non-exclusive basis.	Continue to curate national brand offering to ensure a wide range of appealing products to Myer's broad customer base.
Concessions	Brands that are owned, developed, designed and operated by external parties within Myer stores. Myer is entitled to a fixed percentage of revenue generated by these brands in return for access to floorspace.	Continue to leverage concessions as a driver of foot traffic in Myer stores.

29. Source: Euromonitor data as at June 2024 for historical and forecast market performance.
30. Myer market position based on Myer revenue and estimated competitor revenues as at July 2024.

Each of Myer's product categories are comprised of a different mix of MEBs, national brands and concessions as summarised in Table 3, in addition to specialty brands. Myer's Apparel and Home categories have the largest weighting towards MEBs.

Table 3: Summary of Myer's MEB mix and margins across core product categories (FY24)[31]

Category	MEB sales % total[32]	MEB OGP margin[33]	Key brands
Womenswear	26%	55%	Regatta, Basque, Tokito, Piper, Grab
Menswear	16%	58%	Blaq, Reserve, Kenji, Maddox
Kids	38%	54%	Milkshake, Sprout, Jack & Milly, Tilii
Home	30%	40%	Heritage, Vue, The Cooks Collective

4.4.3 Connected customer (omni-channel)

Myer's omni-channel platform allows its customers to seamlessly purchase through their channel of choice, whether that be in person or online, and is fundamental to the engagement, activation and monetisation of its large customer base. The platform which comprises its physical store network, online platform and four distribution centres, is a market-leading asset for Myer and one that is difficult for competitors to replicate.

4.4.3.1 Stores and team

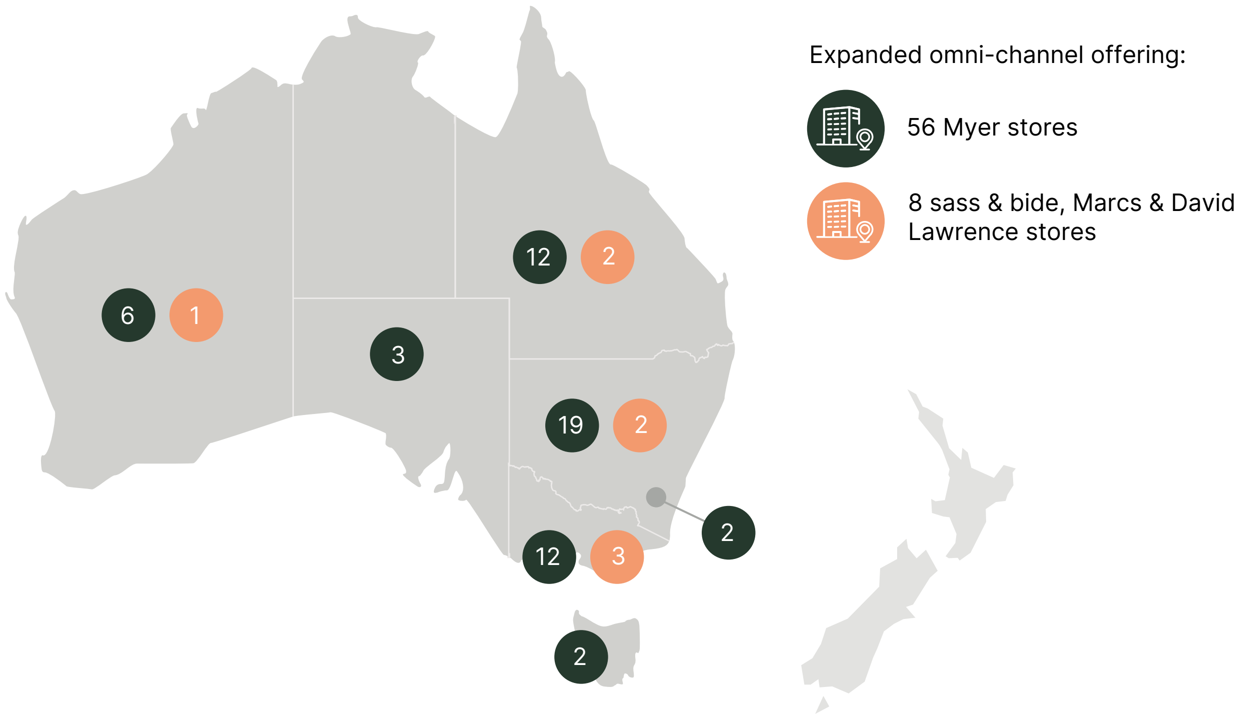
Myer's extensive store network, which comprises 56 department stores and eight specialty retail stores[34] across Australia underpins its omni-channel proposition (refer to Figure 6).

Myer's in-store team is one of its most important assets in maintaining a strong physical store network and continues to invest in their development. In FY24, Myer has achieved in-store customer satisfaction of 85%,[35] the highest on record, and remains focused on improving this further.

Myer continues to optimise its store portfolio and reduce excess space across the business, delivering a total of 14.2% reduction in space since the first half of FY18. This, combined with store refurbishments, has seen in-store sales productivity increase by 7% versus FY18.[35] These combined efforts have streamlined operations but also positioned Myer for future growth.

31. Metrics exclude Myer's third party marketplace within its online platform. Womenswear includes women's apparel but excludes footwear, accessories, intimates and activewear. Menswear includes footwear and accessories. Kids includes Kids apparel, footwear, accessories and toys.
32. MEB sales divided by total sales for that category excluding Myer's third party marketplace within its online platform.
33. OGP includes income and expenditure incurred to bring the product to a location where it is available for sale that is not tracked at an item level and therefore, it has been allocated to private label categories based on management assumptions. Accordingly, Myer's private label margin by category is indicative only based on estimates.
34. sass & bide and Marcs and David Lawrence store numbers as at December 2024.
35. Source: Myer FY24 Annual Report.

Figure 6: Myer store network[36]



4.4.3.2 Online

Myer's multi-channel and eCommerce capabilities have been a key competitive advantage for Myer for many years, growing all key metrics and delivering significant scale. As the sector continues to shift towards online, Myer will continue to focus on maximising the potential of its eCommerce platform by leveraging its current capabilities and customer base. Myer's eCommerce platform is also a key driver of in-store sales and traffic, with more than 50% of customers intending to purchase in-store viewing products on myer.com.au beforehand.

Myer's website, myer.com.au, has approximately 192 million visits each year.[37] Online sales contributed to 21.6% of total sales in FY24 and has continued to exhibit double digit growth rate\s (13.6% CAGR since FY20).

4.4.4 Supply Chain

Myer maintains a close relationship with all its suppliers and freight forwarders, ensuring a highly efficient international supply chain and distribution network that underpins its omni-channel ecosystem. Myer has also built a robust inventory planning and management capability that encompasses inventory cycle management, regular review cycles and monitoring of KPIs.

Myer has four strategically located distribution centres, including its new National Distribution Centre (**NDC**) in Ravenhall, and three regional distribution centres in Eastern Creek, Wacol and Kewdale. The NDC has been designed with significant capacity to support Myer's future growth. Currently, the majority of online sales are fulfilled through stores, however, Myer is seeking to better utilise latent capacity at the NDC to reduce fulfilment times whilst improving team member efficiency.

Myer recognises that climate change is important to its customers, shareholders, suppliers, and team members. Please refer to Section 6.5 for information on the Combined Myer Group's Environmental, Social and Governance approach, including information on its ethical sourcing framework.

36. sass & bide and Marcs and David Lawrence store numbers as at December 2024.
37. Source: Google Analytics (GA4) as at December 2024.

4. Overview of Myer

4.5 Myer Board of Directors and Executive Management Team

4.5.1 Myer Board of Directors

At the date of this Explanatory Memorandum, the Myer Directors are as follows:

Biographies of Myer Directors

Olivia Wirth

Executive Chair & Director

- Executive Chair of the Board
- Member – Nomination Committee

Olivia joined the Myer Board as an independent Non-Executive Director in November 2023 and on 14 March 2024 was appointed as Executive Chair to drive Myer's next phase of growth. Olivia is focused on delivering improved outcomes for Myer's valued customers, team members and all Myer Shareholders.

Prior to joining Myer, Olivia held a number of senior leadership roles over a 15 year period at Qantas, including Chief Customer Officer; Group Executive for Brand, Marketing and Corporate Affairs; and Group Executive for Government Relations and Corporate Affairs. She was a member of the Group Management Committee since 2010 and most recently retired as CEO of Qantas Loyalty after six years in the role.

Since 2018, Olivia has been a board director of the Great Barrier Reef Foundation and was also on the Board of UNICEF Australia until 24 August 2024.

Gary Weiss AM

Deputy Chair & Lead Independent Director

- Member of the Board
- Deputy Chair & Lead Independent Director
- Member – Audit, Finance and Risk Committee
- Chair – Nomination Committee

Gary has extensive global experience across a range of industries, both at executive and board levels.

Gary was Chairman of Ridley Corporation Limited from June 2010 until August 2020, ClearView Wealth Limited from July 2013 until May 2016, Coats plc from 2003 until April 2012, Estia Health from December 2016 until December 2023, and executive director of Guinness Peat Group plc from 1990 to April 2011. He has also held directorships of numerous companies, including The Straits Trading Co Ltd in Singapore, Premier Investments Limited, Tag Pacific Limited, Westfield Group, Tower Australia Ltd, Australian Wealth Management Limited, Tyndall Australia Ltd (Deputy Chairman), Joe White Maltings Ltd (Chairman), CIC Ltd, Whitlam Turnbull & Co Ltd and Industrial Equity Ltd. Gary was also a director of Brisbane Broncos Ltd (formerly Pacific Sports Entertainment Ltd), an ASX-listed company which owns the Brisbane Broncos.

Gary is also a Commissioner of the Australian Rugby League Commission.

In 2019, Gary was awarded the Member (AM) in the General Division of the Order of Australia for significant service to business, and to the community.

Gary holds an LLB (Hons) and LLM from Victoria University of Wellington and a Doctor of the Science of Law (JSD) from Cornell University. He was admitted as a Barrister and Solicitor of the Supreme Court of New Zealand, a Barrister and Solicitor of the Supreme Court of Victoria and as a Solicitor of the Supreme Court of New South Wales.

Other Current Directorships: Gary is Executive Director of Ariadne Australia Ltd, and Chairman of Coast Entertainment Holdings Ltd (formerly Ardent Leisure Limited) and Cromwell Property Group. He is a Non-Executive Director of Hearts & Minds Investments Limited, Thorney Opportunities Limited, the Victor Chang Cardiac Research Institute, and The Centre for Independent Studies.

4. Overview of Myer

Jacquie Naylor

Independent Non-Executive Director

- Member of the Board
- Chair – Human Resources and Remuneration Committee
- Member – Nomination Committee

Jacquie Naylor was appointed as a Non-Executive Director on 27 May 2019. She brings a wealth of experience and expertise in the retail sector, with deep knowledge across women's and men's apparel, homewares, and outdoor brands.

Jacquie had a successful 20-year executive career at the Just Jeans Group, where she was appointed Group Executive Director, a role she held until 2007. She has also served as a Director at The PAS Group and Macpac Retail.

Jacquie was a Non-Executive Director of Michael Hill International Ltd from July 2020 to April 2024 and served on the board of the Virgin Australia Melbourne Fashion Festival for over 13 years.

Other Current Directorships: Jacquie is currently a Non-Executive Director of Cambridge Clothing Ltd.

Terry McCartney

Non-Executive Director

- Member of the Board
- Member – Human Resources and Remuneration Committee
- Member – Nomination Committee

Terry has had a comprehensive career spanning more than 40 years in retail in both Executive and Director positions, spanning the full spectrum of retailing – ranging from luxury goods in department stores to mass merchandise discount operations.

Terry's career started at Boans Department Stores in Perth, then moved to Grace Bros in Sydney. After the acquisition of Grace Bros by Myer, he relocated to the merged department stores group in Melbourne. His executive career culminated in his roles as Managing Director of Kmart Australia and New Zealand, and Managing Director of Myer Grace Bros.

Other Current Directorships: Terry has been a Non-Executive Director of Premier Investments Limited since 2016, and Premier's wholly owned subsidiary, Just Group Limited, since 2008.

Rob Perry

Independent Non-Executive Director

- Member of the Board
- Chair – Audit, Finance and Risk Committee
- Member – Nomination Committee

Rob is a retired Partner of 36 years' experience from global accounting firm Ernst & Young (EY). At EY, Rob was one of the most experienced Retail Audit Partners in the market, performing audit, risk management, internal audit and assurance engagements on large, complex global organisations as well as mid-cap and smaller listed companies. His audit experience gives him a strong understanding of business risks and financial issues.

Rob has provided audit services to clients across a broad range of sectors, primarily focusing his efforts on clients within the retail and consumer goods sector. Rob also led a number of EY's Corporate Risk and Audit engagements across large international and ASX-listed brands.

At EY, Rob also held a number of executive roles, including leader of Risk and Governance Services for the Asia Pacific region and was a member of EY's Global Risk Management Committee. Rob's previous roles also included Managing Partner of Risk Consulting Services for EY in Melbourne.

4.5.2 Executive Management Team

At the date of this Explanatory Memorandum, the Myer Executive Management Team is as follows:

Biographies of Myer Executive Management Team

Matt Jackman

Chief Financial Officer

Matt was appointed Chief Financial Officer in February 2024 with responsibility for the financial management of Myer including accounting and reporting, commercial finance and planning, treasury, taxation, procurement, compliance, and internal audit. Matt began his career in professional services at KPMG before joining global transport and logistics provider Toll Group in 2011. Matt joined Myer in 2017 as Group General Manager Finance, before being appointed as Deputy CFO in 2021.

Andrew Taylor

Chief Transformation Officer

Andrew was appointed as the Chief Transformation Officer in October 2024. In this role he leads strategic initiatives to drive growth and innovation across the organisation. With more than two decades of experience at Qantas, Andrew has built an extensive career across key areas including mergers and acquisitions, strategy, treasury, loyalty, and corporate development. His tenure at Qantas honed his expertise in leading complex financial transactions, developing strategic roadmaps, and enhancing corporate growth frameworks.

Andrew holds qualifications as a Chartered Financial Analyst and is a member of the Institute of Chartered Accountants. His strong background in finance and strategic transformation positions him as a pivotal leader in driving Myer's evolution in an increasingly competitive retail landscape.

Chris Pitts

Chief Merchandise Officer (Acting)

Chris joined Myer in 2019 as General Manager Merchandise Planning and was appointed Chief Merchandise Officer (Acting) in October 2024. In this role, he is accountable for Myer's merchandise buying and planning teams.

Chris has over 25 years of department store retail knowledge, with a strong focus on strategic planning and commercial acumen. Prior to Myer, Chris spent 20 years in the UK having numerous leadership roles at House of Fraser and Aquascutum, overseeing teams in both fashion and homeware categories.

Darren Wedding

Chief Supply Chain Officer

Darren was appointed Chief Supply Chain Officer in October 2024 and commences in March 2025. Darren will be responsible for all aspects of Myer's supply chain, from its factories and third-party suppliers, through to the network of hubs and warehouses and onto customers, whether in-store or direct to home.

Darren is a principle-centred leader possessing diverse experience in all facets of supply chain management with more than 30 years' experience in supply chain and logistics having served in a broad array of industries including military, steel manufacturing, consumer goods, pharmaceutical, retail and third-party logistics, with nine of those years based in Asia.

Geoff Ikin

Chief Customer Officer

Geoff was appointed to Chief Customer Officer at Myer in 2019, responsible for driving change across key customer facing functions including loyalty, eCommerce, customer experience, financial services, marketing, public relations and corporate affairs.

Geoff has diverse experience across retail, travel and financial services leading major customer, brand and commercial focused outcomes across some of Australia's most well-known and respected organisations including Tourism Australia, Westpac, David Jones and IMG.

Mark Medwell

Chief Information Officer

Mark was appointed Chief Information Officer in November 2024 and commences in February 2025. In this role he will be responsible for technology strategy, delivery, and operations across Myer's store network, business operations and online platforms, and Myer's cyber security.

Mark was previously at Cotton On Group where for the past 8 years, he was accountable for the end-to-end technology function and services supporting a multi-brand, global fashion retailer, operating across 23 countries, 1,400 stores and 20,000 team members.

Mark is an experienced IT leader in strategy, global sourcing models, business integration, major change initiatives, transformation, outsourcing and delivery of IT services on a global scale. He has had exposure to the FMCG, mining, logistics/transport and government services sectors and has held roles with both strategic and operational responsibilities in application, infrastructure and service management.

4. Overview of Myer

Timothy Clark[38]

Executive General Manager – Property, Store Design and Development

Tim Clark has 37 years of retail experience and is currently the Executive General Manager – Property, Store Design and Development. In this role he oversees the Myer property team, the Myer facilities management team and the Myer store design and development team.

Tim has previously held other Executive positions at Myer including in technology and store operations.

Tim has also held Executive roles at both Gazman Menswear and Crown Ltd.

Tony Sutton

Chief Operating Officer

Tony Sutton is a career retailer, joining Myer in 1992 and has worked cross-functionally in a number of senior roles including store and management, merchandise, and marketing.

Tony joined the Executive Management Group in March 2013 as Executive General Manager – Stores. In this role Tony oversees all of the operations of the store network nationally.

In March 2024, Tony was appointed Chief Operating Officer overseeing operations of the Myer business.

Tony also serves as Chairman of the Myer Community Fund, which is focused on supporting children and families through the raising of funds through charitable activities.

4.5.3 Directors' Relevant Interests

The following table sets out the relevant interests that each Myer Director has in Myer's ordinary shares or other securities as at the date of this Explanatory Memorandum. No Myer Director has a relevant interest in a related body corporate of Myer.

Current Directors	Ordinary shares	Deferred Rights	Performance Rights	Performance Options
Olivia Wirth[39]	Nil	Nil	Nil	Nil
Gary Weiss AM	100,000	Nil	Nil	Nil
Jacquie Naylor	250,000	Nil	Nil	Nil
Terry McCartney	200,000	Nil	Nil	Nil
Rob Perry	Nil	Nil	Nil	Nil

38. Retiring on 31 March 2025.
39. Following the approval by shareholders at the 2024 Myer AGM of the grant of FY25 LTI Plan performance rights to Olivia Wirth, in the week commencing 16 December 2024, Myer will issue a tranche of approximately 6 million performance rights (including the 1,526,997 performance rights approved by shareholders to be granted to Ms Wirth) to participating executives under the FY25 LTI Plan.

4.6 Historical Financial Information for Myer

This Section 4.6 contains the following historical financial information of Myer:

- historical consolidated income statements for the financial periods ended 29 July 2023 and 27 July 2024 (**Myer Historical Income Statements**);
- historical consolidated balance sheets as at 29 July 2023 and 27 July 2024 (**Myer Historical Balance Sheets**); and
- historical consolidated cash flow statements for the financial periods ended 29 July 2023 and 27 July 2024 (**Myer Historical Cash Flow Statements**).

(together, the **Myer Historical Financial Information**).

The Myer Historical Financial Information should be read together with the:

- basis of preparation set out in Section 4.6.1;
- risk factors set out in Section 7; and
- other information contained in this Explanatory Memorandum.

All amounts are expressed in Australian dollars and, unless otherwise noted, are rounded to the nearest hundred thousand dollars. Accordingly, totals in tables may not add due to rounding.

The Myer Historical Financial Information, as defined above, has been reviewed by the Investigating Accountant, in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Independent Limited Assurance Report, a copy of which is included in Annexure D. Myer Shareholders should note the scope and limitations of this report.

4.6.1 Basis of preparation

The directors of Myer are responsible for the preparation and presentation of the historical financial information of Myer. The Myer Historical Financial Information has been prepared to assist Myer Shareholders to understand the historical financial performance, financial position and cash flows of Myer. The Myer Historical Financial Information has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Myer's financial statements for the financial periods ended 29 July 2023 and 27 July 2024 have been lodged with ASIC and are available from Myer's website (www.myer.com.au) or the ASX website (www.asx.com.au).

The Myer Historical Financial Information as at the end of and for the respective financial periods have been derived from the Myer consolidated financial statements for the financial periods ended 29 July 2023 and 27 July 2024, which were audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. PricewaterhouseCoopers issued unqualified audit opinions on these consolidated financial statements. The significant accounting policies used in the preparation of the Myer Historical Financial Information are consistent with those set out in Myer's Annual Report for the financial periods ended 29 July 2023 and 27 July 2024.

The Myer Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards (**AAS**), issued by the Australian Accounting Standards Board (**AASB**) which are consistent with International Financial Reporting Standards (**IFRS**).

Refer to Section 6.8.6 for further information on new accounting standards that are issued but not yet effective.

4. Overview of Myer

The Myer Historical Financial Information presented in this Explanatory Memorandum is in an abbreviated form and does not contain all presentation, disclosures, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act and should therefore, be read in conjunction with the financial statements of Myer for the respective periods, including the description of the significant accounting policies contained in those financial statements and the notes to those financial statements.

Non-IFRS financial measures

Myer uses certain measures to manage and report on its businesses that are not recognised under AAS or IFRS. These measures are collectively referred to in this Section 4.6 as non-IFRS financial measures pursuant to Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall Myer business.

These non-IFRS financial measures are intended to supplement the measures calculated in accordance with AAS and IFRS and not be a substitute for those measures. Because non-IFRS financial measures are not based on AAS or IFRS, they do not have standard definitions, and the way that Myer calculates these measures may be different to the way that other companies calculate similarly titled measures.

The principal non-IFRS financial measures referred to in this Section 4.6 are as follows:

- **Total sales** represents sale of goods to customers processed by Myer, including sales relating to concession holders.
- **Concession sales** represents the sale of concession holders goods to customers processed by Myer.
- **Sale of goods** represents revenue from sale of goods before revenue deferred under the customer loyalty program.
- **Operating gross profit** represents revenue, less cost of goods sold.
- **Reported EBIT** is earnings before interest and income tax.
- **Underlying EBIT** represents Reported EBIT excluding individually significant items and implementation costs.
- **Individually significant items and implementation costs** include items relating to restructuring, space exit costs, impairments and other significant items.
- **Underlying EBIT (pre-AASB 16)** represents Underlying EBIT before accounting for AASB 16 *Leases* (**AASB 16**).

Management commentary on the Myer Historical Financial Information

Commentary on Myer's historical financial performance is available from Myer's Annual Report for the financial periods ended 29 July 2023 and 27 July 2024, which can be found on Myer's website (investor.myer.com.au).

4.6.2 Myer Historical Income Statements

Set out below are the Myer Historical Income Statements for the financial periods ended 29 July 2023 and 27 July 2024.

Table 4: Myer Historical Income Statements

	29 Jul 2023	27 July 2024
For the financial period ended ($m)	52 weeks	52 weeks
Total sales	**3,362.9**	**3,266.1**
Concession sales	(748.3)	(780.3)
Sale of goods	**2,614.6**	**2,485.8**
Sales revenue deferred under customer loyalty program	(48.8)	(47.7)
Revenue from sale of goods	**2,565.8**	**2,438.1**
Other operating revenue	194.7	206.3
Cost of goods sold	(1,535.9)	(1,450.0)
Operating gross profit	**1,224.6**	**1,194.4**
Other income	–	1.7
Selling expenses	(751.1)	(749.1)
Administration expenses	(277.3)	(284.3)
Restructuring, space exit costs, impairments and other significant items	(15.4)	(12.2)
Earnings before interest and tax	**180.8**	**150.5**
Finance revenue	4.7	5.5
Finance costs	(96.2)	(92.8)
Net finance costs	**(91.5)**	**(87.3)**
Profit before income tax	**89.3**	**63.2**
Income tax expense	(28.9)	(19.7)
Profit after income tax for the period attributable to owners of Myer	**60.4**	**43.5**

4.6.3 Myer Historical Balance Sheets

Set out below are the Myer Historical Balance Sheets as at 29 July 2023 and 27 July 2024.

Table 5: Myer Historical Balance Sheets

As at ($m)	29 July 2023	27 July 2024
Cash and cash equivalents	179.7	176.0
Trade and other receivables and prepayments	28.4	32.9
Inventories	371.3	368.5
Derivative financial instruments	6.0	3.8
Current tax assets	–	3.2
Total current assets	**585.4**	**584.4**
Property, plant and equipment	321.7	317.4
Right-of-use assets	1,101.4	1,038.5
Intangible assets	305.2	305.8
Deferred tax assets	121.9	127.2
Derivative financial instruments	0.4	0.8
Other non-current assets	0.8	1.4
Total non-current assets	**1,851.4**	**1,791.1**
Total assets	**2,436.8**	**2,375.5**
Trade and other payables	401.7	417.9
Lease liabilities	154.3	161.9
Provisions	73.4	66.2
Derivative financial instruments	1.4	0.3
Current tax liabilities	9.8	–
Other liabilities	0.1	–
Total current liabilities	**640.7**	**646.3**
Borrowings	60.1	62.2
Lease liabilities	1,490.6	1,405.2
Provisions	4.9	6.8
Total non-current liabilities	**1,555.6**	**1,474.2**
Total liabilities	**2,196.3**	**2,120.5**
Net assets	**240.5**	**255.0**
Contributed equity	734.0	734.0
Accumulated losses	(503.1)	(492.8)
Reserves	9.6	13.8
Total equity	**240.5**	**255.0**

Working capital position

As at 27 July 2024, Myer Group has a net current liability position of $61.9 million, which includes cash and cash equivalents of $176.0 million. The net current liability includes the recognition of current lease liabilities of $161.9 million in accordance with AASB 16 Leases. Myer Group has available borrowing facility of $33.9 million, which when combined with the orderly realisation of inventory above cost will enable Myer Group to pay its debts as and when they become due and payable.

4.6.4 Myer Historical Cash Flow Statements

Set out below are the Myer Historical Cash Flow Statements for the financial periods ended 29 July 2023 and 27 July 2024.

Table 6: Myer Historical Cash Flow Statements

For the financial period ended ($m)	29 July 2023 52 weeks	27 July 2024 52 weeks
Cash flows from operating activities		
Profit for the period	60.4	43.5
Depreciation, amortisation and impairment	213.2	210.9
Interest income	(4.7)	(5.5)
Finance costs	2.1	2.1
Share-based payments expense	4.3	2.3
Net exchange differences	(0.9)	(0.2)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables and prepayments	–	(5.2)
Decrease/(increase) in inventories	(2.7)	2.8
Decrease/(increase) in deferred tax assets	(11.6)	(3.1)
Decrease/(increase) in derivative financial instruments	2.8	0.7
Increase/(decrease) in trade and other payables	(17.4)	16.3
Increase/(decrease) in current tax payable	(14.0)	(13.0)
Increase/(decrease) in provisions	6.2	(6.6)
Increase/(decrease) in other liabilities	–	(0.1)
Net cash flows from operating activities	**237.7**	**244.9**
Cash flows from investing activities		
Payments for property, plant and equipment	(66.8)	(52.0)
Payments for intangible assets	(33.5)	(27.5)
Lease incentives and contributions received	25.8	10.1
Interest received	4.7	5.5
Net cash flows used in investing activities	**(69.8)**	**(63.9)**
Cash flows from financing activities		
Proceeds from borrowings, net of transaction costs	–	40.0
Repayment of borrowings, including transaction costs	–	(40.0)
Payments for principal portion of lease liabilities	(142.8)	(151.5)
Dividends paid to equity holders of the parent	(86.2)	(33.2)
Payment for acquisition of treasury shares	(3.1)	–
Net cash flows used in financing activities	**(232.1)**	**(184.7)**
Net decrease in cash and cash equivalents	(64.2)	(3.7)
Cash and cash equivalents at the beginning of the period	243.9	179.7
Cash and cash equivalents at end of period	**179.7**	**176.0**

4.7 Capital structure

As at the Last Practicable Date, the capital structure of Myer is as follows:

Security	Number on issue
Myer Shares	837,557,023
Options	–
Performance rights[40]	12,863,597

4.8 Substantial shareholders

As at the Last Practicable Date, there are two substantial shareholders that Myer is aware of:

Substantial shareholder	Date of last notice	Number of securities in last notice	%
Premier Investments Limited	22 April 2024	260,972,158	31.2%
Perpetual Limited	24 October 2024	61,324,611	7.3%
Total		**322,296,769**	**38.5%**

The above table sets out the number and percentage of securities held by substantial shareholders in Myer as disclosed in their last substantial shareholder's notice. Note that those shareholders may have acquired or disposed of securities in Myer since the date of that notice. A substantial shareholder is only required to disclose acquisitions or disposals where there has been a movement of at least 1% in their shareholding.

4.9 Employee incentive plans

A high-level summary of Myer's incentive plans is provided below. Further detail on Myer's incentive plans and remuneration practices is also available in the Myer Annual Report for FY24.

4.9.1 Short-Term Incentive plan

Myer's short-term incentive (**STI**) plan is designed to drive the short-term financial and strategic objectives of Myer, aligned to Myer's strategy. The STI performance criteria is set by reference to financial metrics, non-financial metrics, strategic objectives, and performance and effort towards specific objectives.

The STI award is delivered annually. For FY24, members of the Executive Management Team were entitled to receive 75% of the award in cash and 25% in the form of rights to deferred shares. The number of deferred shares allocated was determined by dividing the dollar value of the deferred shares component of the STI plan award by the volume weighted average price of Myer's shares over a period of trading days determined by the Board following the release to the market of Myer's full year results for FY24. The deferred shares are subject to a one-year disposal restriction from the date of allocation. Other participants in the STI plan receive 100% of the award in cash.

40. Following the approval by shareholders at the 2024 Myer AGM of the grant of FY25 LTI Plan performance rights to Olivia Wirth, in the week commencing 16 December 2024, Myer will issue a tranche of approximately 6 million performance rights (including the 1,526,997 performance rights approved by shareholders to be granted to Ms Wirth) to participating executives under the FY25 LTI Plan.

4.9.2 Long-Term Incentive plan

Myer's long-term incentive (**LTI**) plan is designed to complement the STI in promoting the delivery of supporting ongoing and sustainable performance and the retention of key executive talent. Its measures support those in the STI plan to provide a holistic and aligned reward offering.

Myer's LTI plan for FY24 was delivered in performance rights and assesses performance over a three-year period (30 July 2023 to 25 July 2026). An additional 12-month disposal restriction is applied to any awards that vest.

The number of performance rights granted was determined by dividing an individual's LTI opportunity by the volume-weighted average price of Myer's shares over the five trading days following the release of Myer's FY23 results. In order for any of the LTI for FY24 to be eligible to vest, Myer must deliver a positive absolute total shareholder return (**TSR**) to shareholders over the performance period. If the absolute TSR gateway hurdle is achieved, the performance rights are vested against a relative TSR hurdle (as to 50% of the performance rights) and underlying EPS hurdles (as to the other 50% of the performance rights).

Following Completion, Myer may grant replacement rights under its LTI plan to certain Just Group employees who held performance rights in Premier that would become lapsed as a result of the Combination.

4.10 Recent share price performance

Myer Shares are listed on the ASX under the trading symbol 'MYR'.

As at the Last Practicable Date:

- the closing price of Myer Shares on the ASX was $1.205;
- the one-month VWAP of Myer Shares was $1.143;
- the three-month VWAP of Myer Shares was $0.993; and
- the lowest and highest daily closing price for Myer Shares during the preceding 12 months was $0.570 and $1.215, respectively.

Figure 7 below shows the closing Myer Share since 2 January 2020 up to and including the Last Practicable Date.

Figure 7: Myer Share price since 2 January 2020 to the Last Practicable Date[41]

The current price of Myer Shares can be obtained from the ASX website (www.asx.com.au).

41. Source: IRESS market data as at 12 December 2024.

5. Overview of Apparel Brands

5. Overview of Apparel Brands

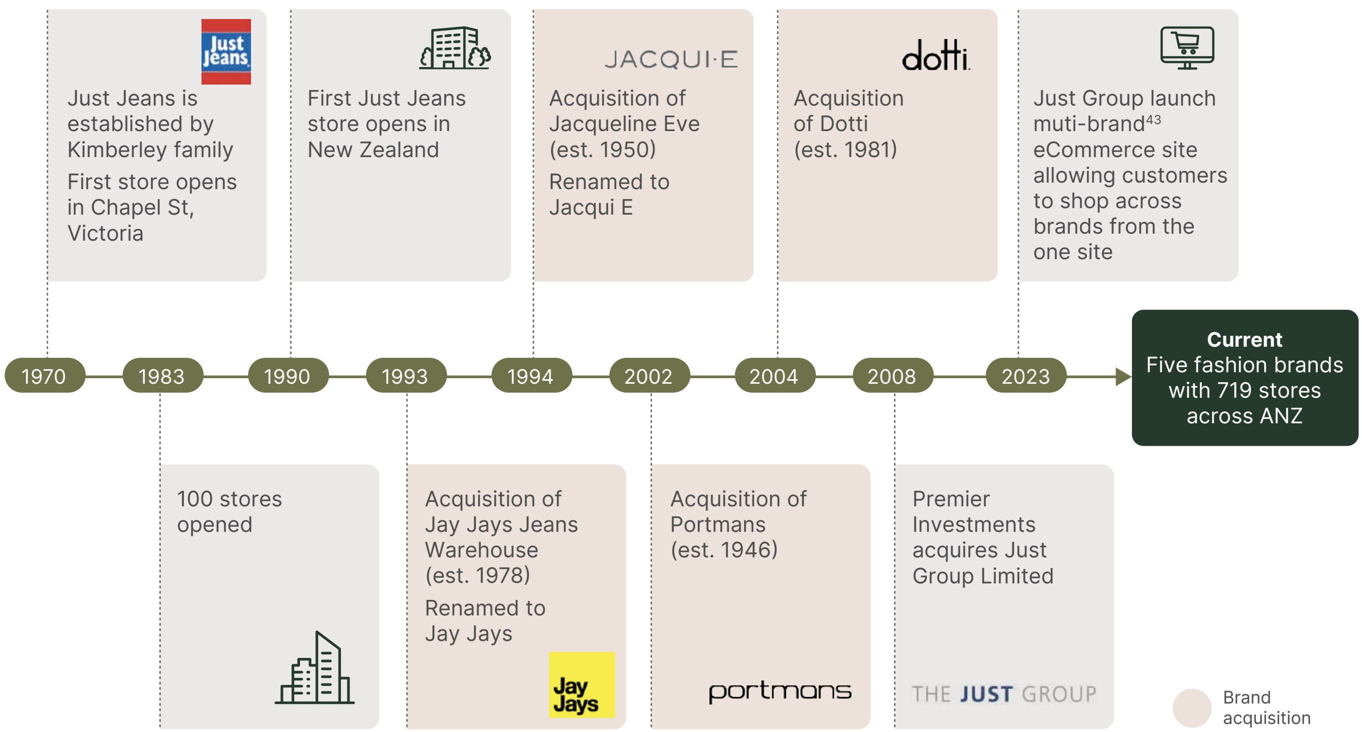
5.1 Overview

Just Group's Apparel Brands Business is a leading specialty fashion retailer consisting of Just Jeans, Jay Jays, Portmans, Dotti and Jacqui E, operating 719 stores[42] with more than 5,500 team members across Australia and New Zealand, supported by digital and eCommerce capabilities. While each brand has its own website in Australia and New Zealand respectively, it is presented as a 'multi-brand' website[43] encouraging customers to browse and cross-shop to have their basket conveniently delivered as one parcel.

5.1.1 History of Just Group – Apparel Brands

The Apparel Brands Business has grown through acquisition and organically across the past 50 years. This has been underpinned by dedicated brand management, supply chain and sourcing improvement and merchandising capabilities. A brief history is set out below.

Figure 8: Apparel Brands History



42. As at 27 July 2024.
43. Multi-brand website today also includes Peter Alexander and Smiggle as other Premier owned brands. As part of the TSA, Peter Alexander and Smiggle remain on the multi-brand website for a transitional period. Refer to Annexure B for more detail on the Website Agreement.

5. Overview of Apparel Brands

5.1.2 Operating principles

There are several operating principles guiding the Apparel Brands Business to ensure it remains agile to navigate changing economic conditions and consistently delivering value for customers and shareholders:

- anchoring in a customer-first strategy and delivering high quality products and experiences;
- employing a strong retail team, providing safe and fulfilling work along with opportunities to grow careers;
- being responsible, ethical and operating with integrity – with its suppliers, its communities, how it cares for the environment and its people and processes;
- investing for growth whilst ensuring it drives productivity and efficiency gains; and
- fostering a performance-based culture with a continuous improvement mindset.

Together, these operating principles support trade and operational standards across the five brands.

Responsible business practices are a core focus of the brands' operations. The Apparel Brands are dedicated to maintaining high standards of ethical conduct and responsible sourcing practices and placing a strong emphasis on team safety, with a focus on diversity and inclusion. The business reflects its local communities, making purposeful progress and measurable improvements in areas that make a meaningful difference.

5.2 About each brand

Brand		Highlights[44]
Just Jeans		Just Jeans is a fashion retailer specialising in denim and is the largest of the five Apparel Brands, established in 1970 in Melbourne. With more than 50 years of experience, the brand is 'anchored in denim' and prides itself on providing quality ranges and fit expertise for men and women of all ages. Ranges include Just Jeans' own brand product alongside leading third-party national brands. Retail network of 237 stores across Australia and New Zealand with 13 Direct Factory Outlet stores (DFOs).
Jay Jays		Jay Jays is a fashion retailer inspired by youth culture, streetwear and fashion trends with a focus on inclusivity, established in 1978 and acquired by Just Group in 1993. The brand has gained popularity for its casual and streetwear-inspired styles. Jay Jays' products are known to feature bold colours, playful prints appealing to young men and women looking for pieces at accessible prices. Distinct and creative fashion ranges are designed in-house including own brand and licensed merchandise. Retail network of 192 stores across Australia and New Zealand with 11 DFOs.

44. Store numbers as at 27 July 2024.

Brand		Highlights[45]
portmans		Portmans is a retail fashion brand specialising in women's 'desk to dinner' clothing, established in 1946 and acquired by Just Group in 2002. The brand offers a range of contemporary designs including workwear, casual wear and occasion wear. Portmans is focused on sophistication, femininity and elevation, aiming to provide aspirational garments at affordable price points. Retail network of 92 stores across Australia and New Zealand with 11 DFOs.
dotti		Dotti is a women's fashion brand aiming to have a vibrant and on trend offering, founded in 1981 and acquired by Just Group in 2004. The brand is focused on capturing the latest styles for a fashion forward customer seeking pieces that offer both comfort and personality at an affordable price. Retail network of 106 stores across Australia and New Zealand with eight DFOs.
JACQUI·E		Jacqui E is a women's fashion retailer established as 'Jacqueline Eve' in 1950 and acquired by Just Group in 1994. The brand endeavours to offer great value, high quality, versatile essentials designed for every occasion, with a luxe look blending timelessness with modern trends. Retail network of 92 stores across Australia and New Zealand with 10 DFOs.

45. Store numbers as at 27 July 2024.

5.3 Customer

The Apparel Brands' portfolio of brands has broad market appeal catering to a diverse customer demographic. The brands offer a wide range of styles, fits and price points to customers of varying ages, tastes and lifestyles. Apparel Brands has a particularly strong womenswear and youth apparel offering.

Figure 9: Customer demographic of each Apparel Brands brand

Just Jeans	Jay Jays	portmans	dotti	JACQUI·E
Established 1970	Established 1978	Established 1946	Established 1981	Established 1950
Male & Female	Male & Female	Female	Female	Female
21-55+ years	13-18 years	25-40 years	16-25 years	35-80+ years
Extensive sizing and style options and great service. National brand offerings, with a wide range for 'everybody'.	Licensed image collaborations that evolve with latest trends. Digital/influence campaigns to reach target youth customers.	Elevated quality, versatile essentials designed for every occasion. Luxe look and feel at a competitive price.	Captures recent trends for a fast-moving customer Affordable range, making a fashionable outfit accessible to all.	Quality fashionable womenswear for work, home and special occasions. In-store service focused on personalised style advice.

5.4 Key Strengths

1. A leading portfolio of diversified specialty retail apparel brands with strong brand recognition, targeting a broad customer base

- Portfolio of specialty retail apparel brands, each with a longstanding market position and loyal customer base ranging from 13 to 80+ years old;
- The diverse yet complementary core customer bases enable broad reach and appeal, facilitating cross-shopping between brands; and
- Trusted brands with a reputation for great value products, combining exclusive core with seasonal fashion ranges.

2. Established omni-channel network

- The combined network of 719 stores positions Apparel Brands as one of Australia and New Zealand's largest specialty apparel store networks; and
- Meaningful presence across bricks and mortar stores and online offering, offering a true omni-channel experience.

3. Disciplined and agile approach to the retail value chain including product design, planning, sourcing and distribution

- Each of the brands has a dedicated product team that curates their ranges and provides customers with high-quality and exclusive products, using in-house IP with an iterative design process that is underpinned by data insights from performance and global trends;
- Disciplined, efficient and agile supply chain management that is responsive to demand and seasonal peaks, with a focus on optimised cost to serve, responsiveness to market conditions/customer demand, planning and allocation effectiveness and in-season responsiveness;
- Apparel Brands leverages strong supplier partnerships across many regions and utilises data-driven negotiation tools and product quality control processes; and
- An established and disciplined end-to-end sustainable, ethical and social compliance framework led by a dedicated in-house team.

4. Highly credentialed and experienced management team across the value chain

- Apparel Brands is enabled by more than 5,500 passionate and knowledgeable team members, with a dedicated retail management team of highly qualified individuals with extensive skills and experience;
- Each brand is supported by specialist services operating across the five brands including property, retail operations, format design, digital and data and marketing; and
- Disciplined approach to cost management aiming to deliver operating margin and efficiency.

5.5 Product design, sourcing and distribution capability

Apparel Brands' product design, sourcing and distribution capability is a process that is underpinned by operational expertise.

Apparel Brands engages in disciplined supply chain management across sourcing, design and distribution, leading to operational excellence across the value chain. The dedicated, in-house buying and procurement team sits in Melbourne and consists of team members who cover all aspects of buying, planning, pricing, designing, sourcing, quality control and merchandising of products. Each brand has a focused category team that drives the iterative design process underpinned by post-season review insights and identification of global trends.

5. Overview of Apparel Brands

Figure 10: Summary of the Apparel Brands design, sourcing and distribution process

Plan	Buy	Move	Sell
Dynamic process to effectively identify customer demand and respond quickly	Strong relationship with key manufacturing suppliers possessing responsible and ethical practices	ANZ DCs supported by a flexible and efficient logistics network creates flexibility	Customer first omni-channel retailer with multi-brand offering
Includes: • Inventory management • Brand management • Market & customer insights • Product development	Includes: • Global in market sourcing, insights and negotiations • Quality and on time delivery • Supplier relationships	Includes: • DCs • Freight management both international and domestic • Demand management	Includes: • Customer • Physical & Online stores • Product placement • Team • Landlords

5.5.1 Plan

Design

The design process is underpinned by extensive market research and identification of global trends. As a part of the design process, Apparel Brands' product team conducts regular pre-season and in-season global research to understand new and emerging trends. The design process combines creativity, craftsmanship, and attention to detail at every stage including trend forecasting and concept development to fabric selection and final production to ensure ranges are developed with brand specific core customers in mind. Most designs are created in-house, with a small number sourced from third parties,[46] which then become exclusive brands. After sampling different patterns, styles and fits, the design teams curate a product brief which is then taken to suppliers for sourcing. Apparel Brands has a quality assurance team operating locally and in the country of origin to ensure quality standards are met.

Inventory management

The Apparel Brands adopts a disciplined approach to inventory management to ensure efficiency and agility whilst minimising the risk of excess stock. Apparel Brands stores are generally categorised by size, performance and climate. Teams allocate inventory at an individual store level, dependent on location, customer demographics and behaviours. All Apparel Brands range core and seasonal product ranges with volumes monitored closely using sales trends and customer preferences to ensure forward commitments are adjusted. Inventory is managed based on a calculation of forward weeks cover. This is a dynamic process that fluctuates according to the retail trading season and is unique to each store. Inventory flow fluctuates and is managed to demand and key peak promotional periods (i.e. Christmas and Black Friday) with a proactive approach taken to optimise supply chains, reduce lead times and ensure the right availability.

46. Apparel Brands also work with licence partners to stock and sell their brands.

Online orders are efficiently (time and cost) and centrally fulfilled through two distribution centres. Using dedicated centralised distribution centres in Melbourne (for all of Australia) and Auckland (for all of New Zealand), the business is able to efficiently meet customer demand across its entire store and online network. The distribution centre utilised in Truganina, Victoria is and will continue to be wholly owned and operated by Premier.

5.5.2 Buy

Supply and manufacturing

Across Apparel Brands, suppliers are selected based on capabilities, quality, reliability, terms of trade, costings and speed to market. The brands are rigorous in vetting suppliers for business and ethical manufacture practices. Suppliers will only be chosen if they comply with a set of designed ethical and responsible guidelines, while Just Group also employs a number of people to physically inspect the manufacturing facilities to ensure compliance.

All products are sourced via direct sourcing from manufacturers, other than some third-party national brands sold by Just Jeans. Apparel Brands works with approximately 250 factories, based in Bangladesh, China, India, Pakistan and Vietnam.

5.5.3 Move

Distribution

Apparel Brands operates an intermodal supply chain utilising road, rail, sea and air (limited) to service receipt of goods to distribution centre and stores. Products are shipped from the supplier directly to the distribution centres, from which delivery to the stores is achieved via external providers.

Apparel Brands operates out of centralised distribution centres in Melbourne (for all of Australia) and Auckland (for all of New Zealand). The distribution centre utilised in Truganina, Victoria is and will continue to be wholly owned and operated by Premier. Both the Australian and New Zealand distribution centres will continue to service the brands under a transitional services agreement (**TSA**) for the next 12 to 24 months. Further detail about the TSA can be found in Section 6.4.1.

The location of distribution centres and the decision to not have numerous locations for distribution enables stock to be allocated based on customer demand. This supports flexibility and agility in season to where and how stock is distributed to each location (based on performance).

Online sales are shipped directly to the customer from distribution centres, enabling the multi-brand site to function efficiently. The business does not have any click & collect service offering although stores teams can quickly pull an available line from the warehouse on a customer request ('store to door'). Clearance stock is shipped directly from stores to outlets for final discounts.

5.5.4 Sell

Physical store network

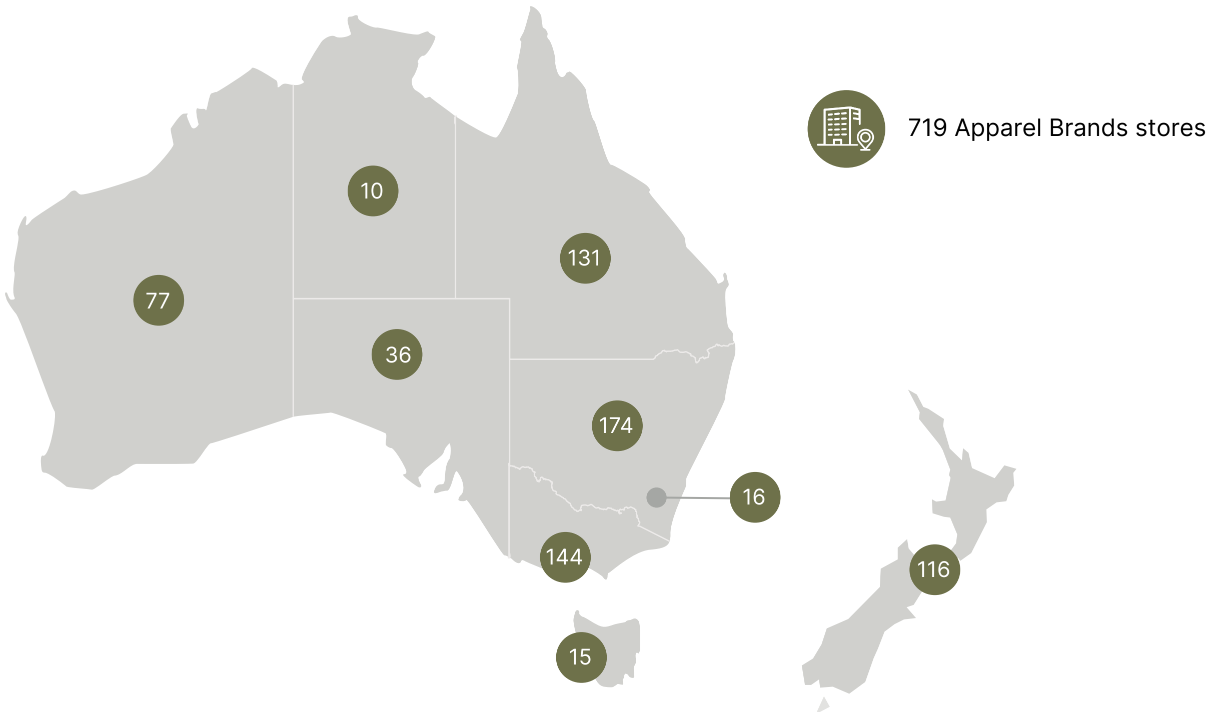
Apparel Brands has strong national coverage, with stores located in all major retail centres across ANZ. Approximately 90% of Apparel Brands stores are in shopping centres versus high street. There are 53 DFO stores out of the 719 store network which predominantly carry a higher proportion of discounted and clearance stock.

Table 7: Breakdown of store numbers (as at 27 July 2024) and FY24 sales by brand

Brand	Stores	FY24 sales ($m)
Just Jeans	237	294
Jay Jays	192	164
Jacqui E	92	76
Dotti	106	112
Portmans	92	145
Total	**719**	**791**

5. Overview of Apparel Brands

Figure 11: Apparel Brands store network



Apparel Brands aims for a property network that unlocks right sized opportunities through investment. This begins with a clear network strategy for each brand, including the ideal store size and location. As part of the ongoing focus to streamline and optimise the store network, Apparel Brands is investing in new and improved store design formats ('stores of the future') with Jacqui E and Just Jeans both opening new store designs in October 2024 at Highpoint. These stores seek to enhance customer experience and engagement through the use of digital display elements, ease of navigation and customer service touch points that better reflect current trends and customer preferences. Plans exist to extend learnings from the Highpoint Jacqui E and Just Jeans new store designs to more 'store of the future' designs for Jay Jays, Portmans and Dotti.

Online network

Apparel Brands operates dedicated online websites in Australia and New Zealand. The online store is designed to support ease of shopping, navigation and locating product. As a complementary offering to the retail stores, the online store predominantly stocks the same products as retail stores, although it occasionally offers some online-only products and exclusive deals.

Over the years, online sales have grown as a percentage of retail sales, as the omni-channel experience has been developed across the retail landscape. In FY24, Apparel Brands achieved 16.4% of sales through its online website.

Portmans has the highest level of online penetration, ranging down to Jay Jays with the lowest. This range is reflective of the core customer base and the shopping experience typically sought by the target customer age group.

Apparel Brands currently operates its website on Premier's multi-brand website alongside Peter Alexander and Smiggle. Under the Website Agreement, Peter Alexander and Smiggle will, for a transitional period following Completion, remain on Just Group's multi-brand website. At the end of the transitional period, Peter Alexander and Smiggle will be removed from the multi-brand website, with the intention to operate from separate websites. Further detail on the Website Agreement can be found in Annexure B.

Marketing and advertising

The Apparel Brands Business has dedicated teams responsible for physical and online store marketing. Marketing and advertising efforts are managed entirely in-house, using proprietary advertising and consumer targeting models without the use of any third-party advertising agencies. This includes content production, 'influencer' partnership identification and solicitation, social media channels, email and search engine marketing and production of in-store marketing materials. All brand advertising is digital, found on social media, emails and search engines. The Apparel Brands Business also adopts a heavy social media presence, with all brands well represented by influencers on key social media platforms such as Facebook, Instagram and TikTok.

6. Overview of the Combined Myer Group

6. Overview of the Combined Myer Group

6.1 Overview of the Combined Myer Group

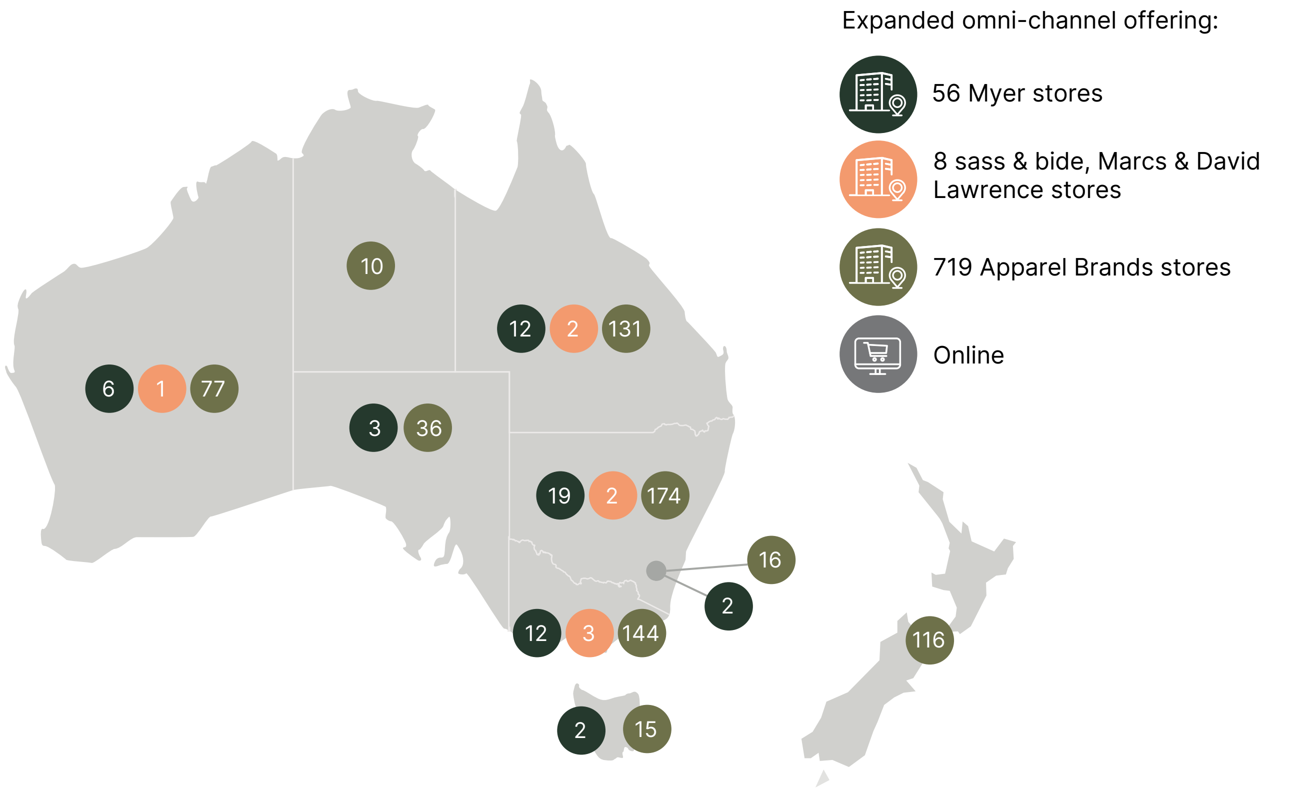
6.1.1 Overview

The Combination of Myer and Apparel Brands will bring together two highly complementary businesses to create a leading Australian omni-channel retail platform of scale with a combined footprint of 783 department and specialty format stores[47] supported by more than 17,300 team members[48] (refer Figure 12).

The Combined Myer Group will have pro forma historical revenue of $4,057 million and Reported EBIT of $236.3 million (before expected combination benefits) for FY24.

The Combination provides an opportunity to leverage the complementary strengths and capabilities of each business to deliver an enhanced customer value proposition and drive sustainable long-term growth for the Combined Myer Group.

Figure 12: Combined Myer Group store network[47]



47. sass & bide and Marcs and David Lawrence store numbers as at December 2024.
48. Includes casual staff but excludes sass & bide and Marcs and David Lawrence staff as at 28 October 2024.

6. Overview of the Combined Myer Group

6.1.2 Customer base

The Combined Myer Group will have a diversified customer base due to the addition of Apparel Brands' highly complementary customer base that addresses customer demographics Myer currently is under-indexed in (e.g. the youth and female demographics). The Combined Myer Group aims to have a product offering curated to appeal to Australians at every price point. As detailed in prior sections, both businesses have a relatively broad customer base – Myer's current member base is broadly representative of the Australian population, while Apparel Brands' five brands each have unique brand identities and customer propositions targeting customers skewed towards females and youth. As shown in Figure 13 and Figure 14, Myer and Apparel Brands customer bases are highly complementary, with Apparel Brands accelerating Myer's growth in younger demographics and womenswear, while Myer provides a strong cross-shop opportunity for Apparel Brands' customers to benefit from the broad range of categories and products beyond apparel that Myer offers.

Figure 13: Apparel Brands age demographics[49]

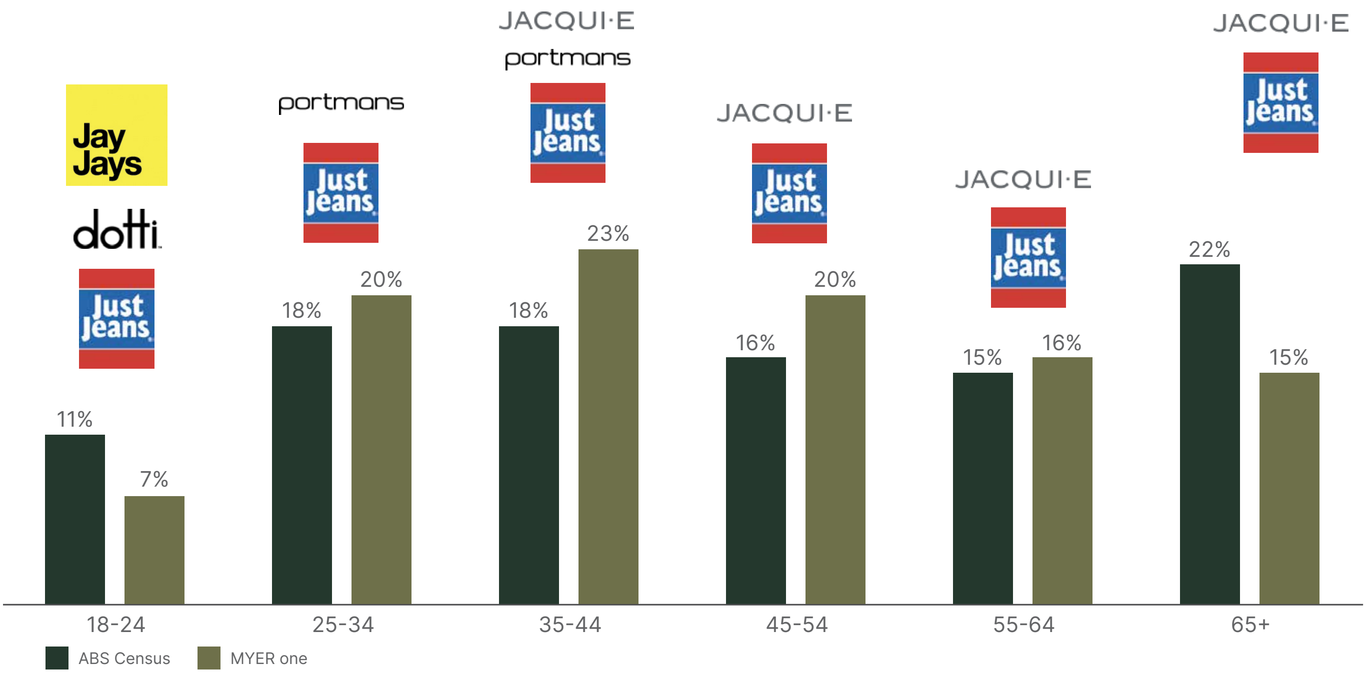


Figure 14: Apparel Brands gender demographics

Just Jeans	Jay Jays	portmans	dotti	JACQUI·E
Male & Female	Male & Female	Female	Female	Female

49. Source: Australian Bureau of Statistics (ABS) Census data as at 2021; age distribution data of MYER one as at June 2024.

6.2 Strategic Rationale for the Combination

The Combination of Myer and Apparel Brands is supported by the following compelling strategic rationale:

Strategic rationale for the Combination	
✓	Accelerates Myer's key strategic priorities.
✓	Delivers significantly enhanced scale to extract growth and operating leverage benefits.
✓	Unlocks the full potential of the combined platform by bringing Apparel Brands into Myer's omni-channel ecosystem.
✓	Leverages Myer's market-leading MYER one loyalty program and eCommerce platform across an enlarged customer base.
✓	Increases penetration of Myer's key target customers and categories including womenswear and youth apparel and drives cross-shop benefits due to Myer and Apparel Brands' highly complementary customer bases.
✓	Expands Myer's exclusive and specialty brands portfolio, strengthening Myer's brand management capability.
✓	Leverages Apparel Brands' operational excellence in sourcing, design and distribution to drive efficiencies and improve margins.
✓	Is expected to generate at least $30 million pre-tax earnings benefits per annum on a run-rate basis over the short to medium term.
✓	Delivers significant EPS accretion on a pro forma FY24 basis (after expected run-rate combination benefits).
✓	Enhances Myer's balance sheet, providing greater capacity to invest in growth across the combined business.
✓	Delivers a larger and more diversified shareholder base, with improved trading liquidity and access to capital for Myer following the In Specie Distribution.

6.3 Expected Combination Benefits

The Combination is expected to deliver significant long-term value for shareholders of the Combined Myer Group through the realisation of expected combination benefits.

The integration of Myer and Apparel Brands will be complex and will require a pragmatic approach to ensure that identified combination benefits are actioned, monitored and realised to their full potential.

Myer has established a joint transition committee, led by senior executives from each of Myer and Premier, that has commenced integration planning activities across key business areas. The key objectives of this joint transition committee are to:

- develop a detailed separation and integration plan which identifies activities necessary to ensure the Pre-Completion Restructure and subsequent integration with Myer is implemented successfully;

- manage the transitional services to be provided by Myer and Premier over the transition period; and
- oversee the integration of Myer and Apparel Brands while minimising business disruption for the Combined Myer Group and its stakeholders.

Myer has undertaken a detailed review of the operating model of both businesses and identified multiple strategic and operational levers to extract combination benefits. These are detailed in Table 8.

While the full potential of the combination benefits is expected to be realised progressively over time, Myer expects to deliver combination benefits of at least $30 million in pre-tax earnings per annum on a run-rate basis over the short to medium term.

Myer has identified three key priority focus areas to extract combination benefits in the near term:

1. Extending MYER one across Apparel Brands;
2. Inclusion of Apparel Brands products across Myer's omni-channel ecosystem; and
3. Develop a combined sourcing model that leverages Apparel Brands 'best-in-class' sourcing model.

Myer has identified these three areas as priority focus areas to extract combination benefits in the near term based on materiality of the potential benefit and expected execution time frame.

These key priority areas fall within the categories summarised in Table 8, with further detail provided in the rest of this Section 6.3.

Table 8: Summary of Expected Combination Benefits

Category	Description
MYER one expansion	Extend Myer's market-leading loyalty program to Apparel Brands and gain valuable customer insights to drive incremental sales.
Omni-channel benefits	Leverage Myer's exceptional eCommerce capabilities to drive Apparel Brands' online penetration and incremental sales.
Sourcing optimisation	Scale opportunities through combined sourcing function.
Myer Exclusive Brands	Accelerate full potential of Myer Exclusive Brands through enhanced product development and sourcing capabilities.
Speciality brands	Leverage scale and Apparel Brands' brand expertise to improve performance of sass & bide, Marcs and David Lawrence.
Financing cost savings	Refinance Myer's existing debt facilities in the near term and generate annual savings in interest and financing costs.
Store network enhancement	Enhance Myer and Apparel Brands' combined footprint to drive further operating leverage and efficiencies.
DC and logistics optimisation	Optimise latent capacity across the distribution centre and logistics network.
Cost management	Leverage disciplined cost management approach to drive efficiencies.

6.3.1 MYER one expansion

The Combination provides the opportunity to extend Myer's market-leading loyalty program to Apparel Brands to gain valuable customer insights and drive incremental sales.

As discussed in Section 4.1.1, MYER one allows Myer to make insight led decisions and deliver targeted promotions and offers to its customers. The value generated through this program is demonstrated by the MYER one members spending 82%[50] more versus non-members.

In the immediate to near term, 37%[51] of Apparel Brands' existing customer base are already MYER one members and will be able to earn MYER one points on Apparel Brands purchases. As at 29 November 2024, Apparel Brands has approximately 2.5 million contactable customers through its email database.

Over the longer term, the Combined Myer Group will be able to leverage its rich first-party data to drive insight-led cross-shop benefits across an expanded customer base.

Figure 15: Spend uplift from a MYER one member vs. non-member[50]

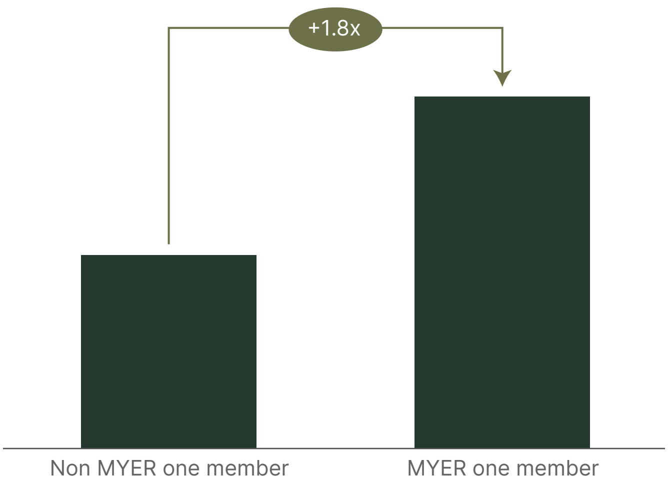


Table 9: Summary of key MYER one metrics (FY24)

MYER one metrics	
Total members (m)	10.4
Active members (m)	4.4
MYER one tag rate (%)	77%
Spend uplift from a MYER one member vs. non members (%)	82%

6.3.2 Omni-channel

Myer's multi-channel and eCommerce capabilities have been a key competitive advantage for many years, growing all key metrics and delivering significant scale. Myer's website myer.com.au generates approximately 192 million website visits a year and has over six million unique visitors per month,[52] conveniently offering an extensive range of products and brands online that are also supported by a vast network of physical retail stores.

Apparel Brands' online penetration today lags Myer's on a standalone basis, as shown in Table 10. Myer's seamless omni-channel platform is expected to enable Apparel Brands to achieve its full online potential and drive incremental sales.

Table 10: Myer and Apparel Brands standalone key online metrics (FY24)

Key online metrics	Myer	Apparel Brands
Total online sales ($m)	704	130
Online penetration (%)	21.6%	16.4%

50. Source: Mastercard commissioned analysis 2022.
51. Source: Based on CommBank iQ data.
52. Source: Google Analytics (GA4) as at December 2024.

6.3.3 Sourcing optimisation

The Combined Myer Group will generate pro forma historical sales in the Apparel category of more than $2 billion for FY24, making it one of the largest apparel retailers in Australia. This presents significant scale opportunities through a combined sourcing function.

Examples of specific initiatives to optimise the sourcing function of the Combined Myer Group include:

- benefiting from long-term relationships with key suppliers and improved economies of scale to secure and offer high-quality products at competitive price points;
- harmonising supplier terms and consolidating suppliers to extract cost efficiencies as well as operating efficiencies; and
- unifying and streamlining product lead times and inventory management systems.

In addition, Apparel Brands' existing operational excellence in sourcing allows a faster lead time between factory and shop floor, agility in product development and store allocation. Over the longer term, an optimised sourcing function will also enable the Combined Myer Group to leverage this capability to consistently deliver high quality products that are on-trend and desired by customers, which in turn is expected to drive sales and reduce promotional activity.

6.3.4 Myer Exclusive Brands

In addition to the benefits outlined in Section 6.3.3, there is an opportunity to leverage Apparel Brands' disciplined approach to managing costs across the product development and sourcing value chain to improve margins, lead times and relevance of product across Myer's existing MEBs/private label portfolio.

Table 11: Myer and Apparel Brands standalone key private label metrics (FY24)[53]

Key private label metrics	Myer[54]	Apparel Brands
Total apparel sales ($m)	**1,311**	**791**
Total private label apparel sales ($m)	**313**	
Private label apparel sales % total apparel sales	**24%**	
– Menswear	16%	
– Womenswear	26%	
– Kids	38%	
Private label COGS % total private label apparel sales	**44%**	**42%[55]**
– Menswear	42%	
– Womenswear	45%	
– Kids	46%	
Private label OGP % total private label apparel sales	**56%**	**58%[55]**
– Menswear	58%	
– Womenswear	55%	
– Kids	54%	

53. Metrics exclude Myer's third party marketplace within its online platform. Womenswear includes women's apparel but excludes footwear, accessories, intimates and activewear. Menswear includes footwear and accessories. Kids includes Kids apparel, footwear, accessories and toys.
54. Myer's OGP includes income and expenditure incurred to bring the product to a location where it is available for sale that is not tracked at an item level and therefore, it has been allocated to private label categories based on management assumptions. Accordingly, Myer's private label margin by category is indicative only based on estimates.
55. Apparel Brands overall COGS and OGP margin (i.e. includes impact of Just Jeans national brands).

6.3.5 Myer specialty brands (sass & bide, Marcs and David Lawrence)

In addition to the benefits outlined in Sections 6.3.3 and 6.3.4, there is an opportunity to leverage Apparel Brands' broader brand management expertise and know-how to Myer's existing specialty brands sass & bide and Marcs and David Lawrence to drive improvement in operational and financial performance. The Apparel Brands team bring strong experience in successfully growing speciality apparel brands anchored in a 'customer first' strategy and strong brand DNA, which is directly transferrable to Myer's existing portfolio of specialty brands.

Table 12: Comparison of Myer specialty brands and Apparel Brands key financial metrics (FY24)

$m	sass & bide[56]	Marcs and David Lawrence[56]	Apparel Brands
Total sales	18.5	79.8	790.7
OGP	9.4	47.8	457.7
OGP margin (%)	50.8%	59.9%	57.8%
CODB[57]	(20.9)	(48.7)	(381.3)
CODB margin (%)	112.9%	61.0%	48.2%
Underlying EBIT (pre-AASB 16)	(11.5)	(0.9)	76.4

6.3.6 Financing cost savings

The Combined Myer Group will have a disciplined approach to capital allocation and maintain a robust balance sheet while continuing to closely monitor balance sheet ratios including the gearing ratio. The Combined Myer Group's key objective when managing capital will be minimising its weighted average cost of capital while maintaining appropriate financing facilities.

The Combined Myer Group's cash flow profile and balance sheet strength is significantly enhanced. The improved credit of the Combined Myer Group will enable a refinance of Myer's existing debt facility which will substantially reduce financing costs and bolster operating cash flows. Financing costs in FY24 were $13.6 million.[58]

6.3.7 DC and logistics optimisation

At Completion, the Combined Myer Group will access six DCs comprising Myer's four DCs located in Victoria, Queensland, New South Wales and Perth and Premier's two DCs located in Victoria and New Zealand (which only Apparel Brands will have access to those DCs via the TSA).

In time, the Combined Myer Group will evaluate the optimal DC and logistics network to maximise economies of scale and reduce unit costs. There are also last-mile cost benefits to be extracted from bringing Apparel Brands into Myer's national DC network as the five Apparel Brands are currently distributed nationally from Premier's Truganina DC in Victoria.

Myer's NDC in Ravenhall and its Wacol DC are newly built sites that have significant room for growth and further opportunity. The NDC has been designed with significant capacity to support the combined business' future growth. Currently, the majority of online sales are fulfilled through Myer stores, however, Myer is targeting to better utilise latent capacity at the NDC to reduce fulfilment times whilst improving team member efficiency.

56. Metrics exclude implementation costs and individually significant items.
57. CODB calculated as the difference between Underlying EBIT (pre-AASB 16) and OGP, hence includes depreciation and amortisation costs.
58. Includes interest expense, amortisation of borrowing costs and bank facility fees. Excludes lease interest and interest income.

6.3.8 Store network enhancement

The Combined Myer Group will have a combined store network of 783 department and specialty format stores.[59] Over time, there will be opportunities to optimise the combined store network to extract operational efficiencies and drive store productivity.

6.3.9 Cost management

Apparel Brands is well-recognised for its disciplined cost management approach across all facets of the business, which can be applied to help manage its cost base and drive margins. The scale of the Combined Myer Group is expected to unlock operating leverage benefits through the ability to reduce duplicate costs.

Table 13: Comparison of Myer and Apparel Brands Underlying EBIT and Underlying EBIT margin (FY24)[60]

	Myer	Apparel Brands
Underlying EBIT (pre-AASB 16) ($m)	75.6	76.4
Underlying EBIT margin (pre-AASB 16) (%)	2.3%	9.7%
Underlying EBIT (post-AASB 16) ($m)	162.7	86.5
Underlying EBIT margin (post-AASB 16) (%)	5.0%	11.0%

6.4 Myer's intentions if Combination Resolution is approved

6.4.1 Transitional services and integration

Myer and Premier will enter Transitional Services Agreements (**TSAs**) to facilitate an orderly transition for both Myer and Premier, with both parties providing and receiving a range of shared services. From Completion, the TSAs will be provided for 12 months, with an option to extend the arrangements for a further 12 months. This is subject to any services where a party ceases to provide those equivalent services for its own business, or in the case of Premier, any such services cease in connection with any proposed demerger of Smiggle or Peter Alexander.

Premier will be providing eCommerce & Marketing, Finance, IT, People & Culture, Procurement, certain Retail Operations, Supply Chain and Ancillary Corporate Services to Myer to support the Apparel Brands Business under the TSAs.

Premier's Property Management and certain Retail Operation management services will be permanently transferred to Myer but provide a transitionary service back to Premier under a TSA.

TSA service fees will be set in reference to Just Group's shared service allocation for FY24, inclusive of on-costs. Where services are extended, fees are set at actual cost plus 10% (cost-plus basis). Staff redundancy costs fall where they lie, with the option for the counterparty to take on relevant employees as appropriate.

In the case of Supply Chain services to the Just Group, DC service costs (both store and online fulfilment) will be based on FY24 units, with increases charged on a rate per unit basis aligned with FY24. Costs of freight and transport between DCs, stores and customers will be charged through to the respective business. The Premier Distribution Centre covers Just Group business-as-usual and will not service Myer brands.

A list of IT projects is to be agreed and actioned during the term of the Just Group TSA to allow the Combined Myer Group to optimise its technology as necessary.

Protocols are to be agreed surrounding certain services, such as data management and privacy for each of the TSAs.

59. sass & bide and Marcs and David Lawrence store numbers as at December 2024.
60. Metrics exclude implementation costs and individually significant items.

6.4.2 Board of Directors

Following Completion, each of the current Myer Directors are expected to remain as Directors of the Combined Myer Group. Solomon Lew is expected to join the Board of the Combined Myer Group as a non-executive director consistent with Century Plaza Group becoming Myer's largest shareholder following Completion. Solomon's biography is detailed below.

Biography of additional Myer Director of the Combined Myer Group

Solomon Lew

Non-Executive Director

Solomon Lew is a Non-Executive Director and Chairman of Premier. Solomon is also a director of Century Plaza Investments Pty Ltd, the largest shareholder in Premier and was previously Chairman of Premier from 1987 to 1994.

Solomon has more than 50 years' experience in the manufacture, wholesale and retailing of textiles, apparel and general merchandise, as well as property development.

Solomon was a Director of Coles Myer Limited from 1985 to 2002, serving as Vice Chairman from 1989, Chairman from 1991 to 1995, Executive Chairman in 1995 and Vice Chairman in 1995 and 1996.

Solomon is a member of the World Retail Hall of Fame and is the first Australian to be formally inducted.

He is also a former Board Member of the Reserve Bank of Australia and former Member of the Prime Minister's Business Advisory Council.

Solomon was the inaugural Chairman of the Mount Scopus Foundation (1987 to 2013) which supports the Mount Scopus College, one of Australia's leading private colleges with 2000 students. He has also been the Chairman or a Director of a range of philanthropic organisations.

6.4.3 Executive Management Team

Following Completion, the Combined Myer Group's Executive Management Team will be expanded to include Teresa Rendo as Managing Director of Apparel Brands, Josh Molloy as Global Head of Property and Jason McVicar as Group General Manager, Retail. Teresa, Josh and Jason's biographies are detailed below. Olivia Wirth will continue to lead the Combined Myer Group as Executive Chair.

Biographies of additional Myer Executive Management Team

Teresa Rendo

Managing Director of Apparel Brands

Teresa Rendo was appointed Managing Director of Apparel Brands in March 2022. Prior to this, Teresa held a number of senior roles at Woolworths Limited including the Acting Managing Director of Big W. Teresa has more than 21 years of experience at all levels of retail including store operations, international sourcing and buying/merchandising.

Josh Molloy

Global Head of Property

Josh was appointed as Global Head of Property in October 2011, having spent a total of 15 years with Just Group. Prior to this, Josh has held both leasing and retail consultancy roles internationally with multiple organisations including Westfield. Josh's career spans more than 25 years working across the real estate, design and development sectors with experience dealing with real estate in Europe, Asia, North America, Australia and New Zealand.

Jason McVicar

Group General Manager, Retail

Jason was appointed Group General Manager, Retail at Just Group in January 2013. Jason oversees accountability across retail operations, risk, and people and culture. Jason has over 30 years of strong experience in specialty and department store retailing, including his previous role as General Manager of Stores at David Jones.

6.4.4 Corporate governance

It is intended that the Combined Myer Group will continue to be governed by Myer's current corporate governance policies. A copy of Myer's core corporate governance policies can be accessed on Myer's website (https://investor.myer.com.au/home/).

6.5 Environmental, Social and Governance of the Combined Myer Group

The Combined Myer Group will recognise that climate change is important to its customers, shareholders, suppliers, and team members and will transition towards climate related reporting and disclosure requirements as they continue to develop. The Combined Myer Group will continue to progress on its sustainability strategy, considering business activities and impacts across the supply chain, as well as stakeholder interests. The sustainability strategy focuses on energy management, sustainable packaging, waste management and sustainable sourcing which includes ethical sourcing and sustainable merchandising.

6.5.1 Ethical Sourcing

Initially, the Just Group ethical sourcing program will continue on a business-as-usual basis for the Apparel Brands Business. After a period of transition, the Combined Myer Group's ethical sourcing framework will define the way of working to ensure responsible sourcing and drives ongoing improvement through measurable and actionable insights across the entire business. The framework is based on internationally recognised standards such as the Ethical Trade Initiative and aligns with the minimum standards set out in Myer's ethical sourcing policy. Suppliers and business partners must share the same values of accountability, corporate responsibility, and ethical business conduct and acknowledge the rights of all workers in alignment with internationally recognised standards.

The framework takes a risk-based approach, which defines the level of due diligence and monitoring that applies to suppliers based on risk exposure. In the case of private label and specialty brand suppliers and business partners, a third-party ethical audit is required as a minimum.

The Combined Myer Group's ethical sourcing program will build on its commitment to protecting and promoting human rights where modern slavery risks within its business operations and supply chain are identified, assessed, managed and mitigated. The Combined Myer Group will have zero tolerance for modern slavery in all its forms and has implemented measures to identify and mitigate modern slavery in its supply chain.

The Combined Myer Group will continue to focus on embedding its ethical sourcing program across the business and building trust and strengthening relationships with suppliers and workers. Supply contract terms and conditions define expectations of supplier conduct. Training will continue to be delivered to educate and raise awareness to internal team members, regardless of role and department, on the topic of modern slavery and the responsibilities under the Combined Myer Group's ethical sourcing program. Myer's existing whistleblower hotline and alternative grievance reporting hotline will enable the reporting of unethical, illegal, fraudulent or undesirable conduct.

6.5.2 Modern Slavery Statement

In FY24, Myer published its fourth modern slavery statement, which details the policies, procedures, activities and due diligence processes to address risks of modern slavery. The Combined Myer Group's approach to modern slavery will, after a period of transition, be company-wide with a governance structure overseeing the management of modern slavery risks.

6.6 Capital structure of the Combined Myer Group

At the Last Practicable Date, there are 837,557,023 Myer Shares on issue. If the Combination is Completed, Myer will issue the Consideration Shares to Premier and the total number of Myer Shares on issue will be approximately 1,728,057,023.

Immediately following the In Specie Distribution, Myer Shareholders will own approximately 33.4% of the Combined Myer Group, Premier Shareholders (excluding Century Plaza Group) will own approximately 39.8% of the Combined Myer Group and Century Plaza Group will own approximately 26.8% of the Combined Myer Group which is less than Premier's current shareholding in Myer of 31.2%.[61]

61. As at the Last Practicable Date.

6.7 Combined Myer Group substantial shareholders

Immediately following the In Specie Distribution, Myer expects the following shareholders will be substantial holders in the Combined Myer Group:[62]

Name	Myer Shares	% of total Myer Shares on issue
Century Plaza Group	463,322,643	26.8%
Perpetual Limited	165,988,807	9.6%

6.8 Combined Myer Group Pro Forma Historical Financial Information

This Section 6.8 contains the following pro forma historical financial information of the Combined Myer Group following the Combination:

- pro forma historical combined income statements for the financial periods ended 29 July 2023 and 27 July 2024 (**Combined Myer Group Pro Forma Historical Income Statements**);
- pro forma historical combined balance sheet as at 27 July 2024 (**Combined Myer Group Pro Forma Historical Balance Sheet**); and
- pro forma historical combined cash flows for the financial periods ended 29 July 2023 and 27 July 2024 (**Combined Myer Group Pro Forma Historical Cash Flows**).

(together, the **Combined Myer Group Pro Forma Historical Financial Information**).

The Combined Myer Group Pro Forma Historical Financial Information should be read together with the:

- basis of preparation set out in Section 6.8.1;
- risk factors set out in Section 7; and
- other information contained in this Explanatory Memorandum.

All amounts are expressed in Australian dollars and, unless otherwise noted, are rounded to the nearest hundred thousand dollars. Accordingly, totals in tables may not add due to rounding.

The Combined Myer Group Pro Forma Historical Financial Information, as defined above, has been reviewed by the Investigating Accountant, in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information, as stated in its Independent Limited Assurance Report, a copy of which is included in Annexure D. Myer Shareholders should note the scope and limitation of this report.

6.8.1 Basis of preparation

The Myer Directors are responsible for the preparation and presentation of the Combined Myer Group Pro Forma Historical Financial Information and the directors of Premier are responsible for the preparation and presentation of the historical financial information of Apparel Brands used in the preparation and presentation of the Combined Myer Group Pro Forma Historical Financial Information.

The Combined Myer Group Pro Forma Historical Financial Information presented in this Section 6.8 has been prepared in order to give Myer Shareholders an indication of the financial performance, financial position and cash flows of the Combined Myer Group as if the Combination had been completed from 31 July 2022 in respect of the financial performance and cash flows and 27 July 2024 in respect of the financial position. It does not reflect the actual financial performance, financial position or cash flows of the Combined Myer Group at the time of Completion. It has been prepared for illustrative purposes only for the purpose of this Explanatory Memorandum. The Combined Myer Group Pro Forma Historical Financial Information has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Combined Myer Group Pro Forma Historical Financial Information presented in this Section 6.8 is based on the:

- Myer Historical Financial Information as at 27 July 2024 and for the financial periods ended 29 July 2023 and 27 July 2024 (presented in Section 4.6);

62. Estimated based on Myer substantial holder notice dated 24 October 2024, Myer Appendix 3H dated 20 November 2024, Myer Form 604 dated 22 April 2024 and FY24 Premier Annual Report as at 20 September 2024.

- Apparel Brands historical financial information as at 27 July 2024 and for the financial periods ended 29 July 2023 and 27 July 2024; and
- Pro forma adjustments described in Sections 6.8.7.1, 6.8.8.1 and 6.8.9.1 (**Pro Forma Adjustments)**.

The Myer Historical Financial Information presented in Table 15, Table 17, Table 19 and Table 21 has been derived from the consolidated financial statements of Myer for the financial periods ended 29 July 2023 and 27 July 2024, which were audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. PricewaterhouseCoopers issued unqualified audit opinions on these consolidated financial statements. The Apparel Brands historical financial information has been derived from the accounting records that were used to prepare the consolidated financial statements of Just Group for the financial period ended 27 July 2024 (which includes comparative information for the financial period ended 29 July 2023), which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued an unqualified audit opinion on the consolidated financial statements.

The Combined Myer Group Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS other than it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the exclusion of certain transactions that occurred in the relevant period, and (ii) the impact of certain transactions as if they occurred as at 27 July 2024 in the Combined Myer Group Pro Forma Historical Balance Sheet and from 31 July 2022 in the Combined Myer Group Pro Forma Historical Income Statements and Combined Myer Group Pro Forma Historical Cash Flows.

The significant accounting policies used in the preparation of the Combined Myer Group Pro Forma Historical Financial Information are consistent with those described in Myer's Annual Reports for the financial periods ended 29 July 2023 and 27 July 2024. In preparing the Combined Myer Group Pro Forma Historical Financial Information, Myer has undertaken a review to identify significant accounting policy differences between Myer and Just Group where the impact is potentially material to the Combined Myer Group and could be reliably estimated. No material differences have been identified by Myer.

The Combined Myer Group Pro Forma Historical Financial Information presented in this Explanatory Memorandum is in an abbreviated form and does not contain all presentation, disclosures, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act.

6.8.2 Pre-Completion Restructure

In preparation for the Completion of the Combination, Premier will complete the Pre-Completion Restructure. For the purposes of preparing the Combined Myer Group Pro Forma Historical Balance Sheet, it has been assumed that the unrelated net assets have been derecognised by Just Group in the Combined Myer Group Pro Forma Historical Balance Sheet as at 27 July 2024.

6.8.3 Basis of consolidation

On Completion of the Combination, Myer will gain control over Apparel Brands and therefore, under AASB 3 *Business Combinations* (**AASB 3**), Myer is required to recognise the identifiable net assets of Apparel Brands at fair value on the date of acquisition within the Combined Myer Group Pro Forma Historical Balance Sheet. Any excess between the fair value of the consideration paid and the fair value of the identifiable net assets is recognised as goodwill.

Furthermore, Myer will consolidate the results of Apparel Brands from the date of acquisition (assumed to be from 31 July 2022 for the purposes of the Combined Myer Group Pro Forma Historical Income Statements and the Combined Myer Group Historical Cash Flows). Any intercompany transactions between Myer and Apparel Brands will be eliminated on consolidation.

6.8.4 Preliminary purchase price accounting

AASB 3 allows the acquirer a period of 12 months from the acquisition date to finalise the identification and valuation process of all assets and liabilities and any resultant accounting adjustments. Myer has not finalised the identification and valuation of the assets and liabilities of Apparel Brands, with finalisation to take place after Completion of the Combination.

For the purposes of preparing the Combined Myer Group Pro Forma Historical Balance Sheet, it has been assumed that the carrying value of assets and liabilities is equal to their fair value and that there will be no additional separately identifiable intangible assets recognised in the Combined Myer Group Pro Forma Historical Balance Sheet as at 27 July 2024, other than already recognised by Apparel Brands.

As the purchase price accounting has not been finalised, additional amortisation in relation to identified finite life intangible assets may arise and this has not been reflected in the Combined Myer Group Pro Forma Historical Income Statements. The quantum of any additional amortisation will depend on the incremental fair value allocated and the useful lives ascribed to the identifiable intangible assets as part of the final purchase price allocation.

For the purposes of preparing the Combined Myer Group Pro Forma Historical Balance Sheet, it has been assumed that there will be no resetting of the Combined Myer Group's tax cost bases following the acquisition. It is, however, likely that the allocatable cost amount calculation will result in a deferred tax position which is different to the position presented in the Combined Myer Group Pro Forma Historical Balance Sheet. Any resulting adjustment to deferred tax assets and liabilities will have an equal, but opposite, impact on the amount of goodwill recognised in the Combined Myer Group Pro Forma Historical Balance Sheet.

6.8.5 Presentation

The Combined Myer Group Pro Forma Historical Financial Information:

- is provided for illustrative purposes only;
- is presented in a summary form and consequently does not contain all of the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act; and
- has been prepared on the basis that Myer is the acquiring entity for accounting purposes.

Pro Forma Adjustments have been made to reflect the financial impacts of the combination of Myer and Apparel Brands. The Combined Myer Group Pro Forma Historical Financial Information presented in this Section 6.8 does not purport to reflect the likely actual or prospective financial performance, financial position or cash flows of the Combined Myer Group.

The principal non-IFRS financial measures referred to in this Section 6.8 are consistent with those of Myer. Refer to Section 4.6 for explanations of the non-IFRS measures disclosed.

It is likely that actual financial performance, financial position and cash flows in future periods will differ from the Combined Myer Group Pro Forma Historical Financial Information presented in this Section 6.8. The factors which may impact the actual financial performance, financial position or cash flows of the Combined Myer Group that have not been recognised as adjustments to the Combined Myer Group Pro Forma Historical Financial Information include but are not limited to:

- trading of Myer and Apparel Brands since 27 July 2024;
- the ultimate timing of Completion of the Combination to combine Myer and Apparel Brands;
- differences between the estimated amount of transaction costs and the amount ultimately incurred;
- differences between the estimated value of executive incentives and the amount ultimately settled;
- finalisation of the acquisition accounting, including determining appropriate purchase price adjustments, including the fair value of purchase consideration and the fair value of all assets and liabilities acquired in accordance with the relevant accounting standards;
- finalisation of the resetting of the tax cost bases following acquisition, including recognition of the associated deferred tax assets and liabilities, in accordance with the relevant accounting standards;
- completion of any refinancing and potential write off of costs previously capitalised as borrowing costs; and
- the ultimate timing and realisation of synergies and business improvements (and associated costs) arising from the combination of Myer and Apparel Brands (further details of which are provided in this Section 7).

6.8.6 Standards issued, but not yet effective

Recently issued or amended Australian Accounting Standards and Interpretations, but are not yet effective, that have been identified which may be relevant to the Combined Myer Group in future reporting periods have not been early adopted in the preparation of the Combined Myer Group Pro Forma Historical Financial Information as they are not expected to have a material impact.

6.8.7 Combined Myer Group Pro Forma Historical Income Statements

Set out below is the Combined Myer Group Pro Forma Historical Income Statements for the financial periods ended 29 July 2023 and 27 July 2024 as though the Combination was completed on 31 July 2022.

Table 14: Combined Myer Group Pro Forma Historical Income Statements

	29 July 2023	27 July 2024
For the financial period ended ($m)	**52 weeks**	**52 weeks**
Total sales	**4,207.7**	**4,056.8**
Concession sales	(748.3)	(780.3)
Sale of goods	**3,459.4**	**3,276.5**
Sales revenue deferred under customer loyalty program	(48.8)	(47.7)
Revenue from sale of goods	**3,410.6**	**3,228.8**
Other operating revenue	195.1	206.5
Cost of goods sold	(1,895.7)	(1,783.2)
Operating gross profit	**1,710.1**	**1,652.1**
Other income	4.5	4.3
Selling expenses	(1,027.2)	(1,026.8)
Administration expenses	(374.2)	(381.1)
Restructuring, space exit costs, impairments and other significant items	(15.4)	(12.2)
Earnings before interest and tax	**297.8**	**236.3**
Finance revenue	7.4	10.8
Finance costs	(104.9)	(111.0)
Net finance costs	**(97.5)**	**(100.2)**
Profit before income tax	**200.2**	**136.1**
Income tax expense	(63.9)	(40.2)
Profit after income tax for the period	**136.3**	**95.8**

Table 15 and Table 17 below sets out the reconciliations of the Myer Historical Income Statements to the Combined Myer Group Pro Forma Historical Income Statements for the financial periods ended 29 July 2023 and 27 July 2024. Table 16 and Table 18 below sets out the reconciliations from Reported EBIT to Underlying EBIT and Underlying EBIT (pre-AASB 16) for Myer and Apparel Brands, for the financial periods ended 29 July 2023 and 27 July 2024.

Table 15: Reconciliation of the Myer Historical Income Statement to the Combined Myer Group Pro Forma Historical Income Statement for the financial period ended 29 July 2023

$m	Myer	Apparel Brands	Transaction perimeter and TSA	Combined Myer Group Pro Forma
Total sales	**3,362.9**	**844.8**	**–**	**4,207.7**
Concession sales	(748.3)	–	–	(748.3)
Sale of goods	**2,614.6**	**844.8**	**–**	**3,459.4**
Sales revenue deferred under customer loyalty program	(48.8)	–	–	(48.8)
Revenue from sale of goods	**2,565.8**	**844.8**	**–**	**3,410.6**
Other operating revenue	194.7	0.4	–	195.1
Cost of goods sold	(1,535.9)	(359.8)	–	(1,895.7)
Operating gross profit	**1,224.6**	**485.5**	**–**	**1,710.1**
Other income	–	1.9	2.6	4.5
Selling expenses	(751.1)	(283.9)	7.8	(1,027.2)
Administration expenses	(277.3)	(85.4)	(11.5)	(374.2)
Restructuring, space exit costs, impairments and other significant items	(15.4)	–	–	(15.4)
Earnings before interest and tax	**180.8**	**118.1**	**(1.2)**	**297.8**
Finance revenue	4.7	2.7	–	7.4
Finance costs	(96.2)	(9.2)	0.5	(104.9)
Net finance costs	**(91.5)**	**(6.5)**	**0.5**	**(97.5)**
Profit before income tax	**89.3**	**111.6**	**(0.7)**	**200.2**
Income tax expense	(28.9)	(35.2)	0.2	(63.9)
Profit after income tax for the period	**60.4**	**76.4**	**(0.5)**	**136.3**

Table 16: Reconciliation of Reported EBIT to Underlying EBIT and Underlying EBIT (pre-AASB 16) for the financial period ended 29 July 2023

$m	Myer	Apparel Brands
Reported EBIT	**180.8**	**118.1**
Restructuring, space exit costs, impairments and other significant items	15.4	–
Individually significant items and implementation costs	**15.4**	**–**
Underlying EBIT	**196.2**	**118.1**
Impact of AASB 16	(86.1)	(5.6)
Underlying EBIT (pre-AASB 16)	**110.1**	**112.5**

Table 17: Reconciliation of the Myer Historical Income Statement to the Combined Myer Group Pro Forma Historical Income Statement for the financial period ended 27 July 2024

$m	Myer	Apparel Brands	Transaction perimeter and TSA	Combined Myer Group Pro Forma
Total sales	**3,266.1**	**790.7**	**–**	**4,056.8**
Concession sales	(780.3)	–	–	(780.3)
Sale of goods	**2,485.8**	**790.7**	**–**	**3,276.5**
Sales revenue deferred under customer loyalty program	(47.7)	–	–	(47.7)
Revenue from sale of goods	**2,438.1**	**790.7**	**–**	**3,228.8**
Other operating revenue	206.3	0.2	–	206.5
Cost of goods sold	(1,450.0)	(333.2)	–	(1,783.2)
Operating gross profit	**1,194.4**	**457.7**	**–**	**1,652.1**
Other income	1.7	–	2.6	4.3
Selling expenses	(749.1)	(285.5)	7.7	(1,026.8)
Administration expenses	(284.3)	(85.8)	(11.0)	(381.1)
Restructuring, space exit costs, impairments and other significant items	(12.2)	–	–	(12.2)
Earnings before interest and tax	**150.5**	**86.5**	**(0.7)**	**236.3**
Finance revenue	5.5	5.3	–	10.8
Finance costs	(92.8)	(18.8)	0.7	(111.0)
Net finance costs	**(87.3)**	**(13.6)**	**0.7**	**(100.2)**
Profit before income tax	**63.2**	**72.9**	**–**	**136.1**
Income tax expense	(19.7)	(20.5)	–	(40.2)
Profit after income tax for the period	**43.5**	**52.3**	**–**	**95.8**

Table 18: Reconciliation of Reported EBIT to Underlying EBIT and Underlying EBIT (pre-AASB 16) for the financial period ended 27 July 2024

$m	Myer	Apparel Brands
Reported EBIT	**150.5**	**86.5**
Restructuring, space exit costs, impairments and other significant items	12.2	–
Individually significant items and implementation costs	**12.2**	**–**
Underlying EBIT	**162.7**	**86.5**
Impact of AASB 16	(87.1)	(10.1)
Underlying EBIT (pre-AASB 16)	**75.6**	**76.4**

6.8.7.1 Adjustments to the Combined Myer Group Pro Forma Historical Income Statements

Transaction perimeter and TSA

The Combined Myer Group Pro Forma Historical Income Statements have been adjusted to incorporate commercial terms relating to net compensation payable[63] by Myer to Premier under the TSA of $40.7 million and $39.7 million, net of the reversal of corporate costs allocated by Premier to Apparel Brands for the financial periods ended 29 July 2023 and 27 July 2024, respectively before income tax.

The pro forma adjustments above seek to replicate the cost base of Apparel Brands, albeit there are changes to the expense categorisation.

6.8.7.2 Items not reflected in the Combined Myer Group Pro Forma Historical Income Statements

The Combined Myer Group Pro Forma Historical Income Statements have not been adjusted to reflect the estimated transaction costs of approximately $12.6 million (excluding GST) expected to be incurred by Myer directly in relation to the Combination in the financial period ending 26 July 2025.

63. Net of $2.6 million income receivable by Myer from Premier under the TSA for the financial periods ended 29 July 2023 and 27 July 2024.

6.8.8 Combined Myer Group Pro Forma Historical Balance Sheet

Set out below is the Combined Myer Group Pro Forma Historical Balance Sheet as at 27 July 2024.

Table 19: Combined Myer Group Pro Forma Historical Balance Sheet

$m	Myer	Apparel Brands	Purchase Price Accounting	Other Pro Forma Adjustments	Combined Myer Group Pro Forma
Cash and cash equivalents	176.0	82.0	–	(33.5)	224.5
Trade and other receivables and prepayments	32.9	8.7	–	–	41.6
Inventories	368.5	118.1	–	–	486.6
Derivative financial instruments	3.8	–	–	–	3.8
Current tax assets	3.2	–	–	–	3.2
Total current assets	**584.4**	**208.8**	**–**	**(33.5)**	**759.7**
Property, plant and equipment	317.4	34.9	–	–	352.3
Right-of-use assets	1,038.5	222.3	–	–	1,260.8
Intangible assets	305.8	3.6	408.2	–	717.6
Deferred tax assets[64]	127.2	17.6	–	3.8	148.6
Derivative financial instruments	0.8	–	–	–	0.8
Other non-current assets	1.4	–	–	–	1.4
Total non-current assets	**1,791.1**	**278.4**	**408.2**	**3.8**	**2,481.5**
Total assets	**2,375.5**	**487.2**	**408.2**	**(29.7)**	**3,241.1**
Trade and other payables	417.9	51.8	–	–	469.7
Lease liabilities	161.9	80.9	–	–	242.8
Provisions	66.2	21.0	–	–	87.2
Derivative financial instruments	0.3	–	–	–	0.3
Total current liabilities	**646.3**	**153.7**	**–**	**–**	**800.0**
Borrowings	62.2	–	–	–	62.2
Lease liabilities	1,405.2	160.4	–	–	1,565.6
Provisions	6.8	6.9	–	–	13.7
Total non-current liabilities	**1,474.2**	**167.3**	**–**	**–**	**1,641.5**
Total liabilities	**2,120.5**	**321.0**	**–**	**–**	**2,441.5**
Net assets	**255.0**	**166.2**	**408.2**	**(29.7)**	**799.6**
Contributed equity	734.0	22.0	552.4	–	1,308.4
Retained earnings/(Accumulated losses)	(492.8)	145.7	(145.7)	(29.7)	(522.6)
Reserves	13.8	(1.5)	1.5	–	13.8
Total equity	**255.0**	**166.2**	**408.2**	**(29.7)**	**799.6**

64. Net of deferred tax liabilities of $419.5 million for Myer and $2.2 million for Apparel Brands.

6.8.8.1 Adjustments to the Combined Myer Group Pro Forma Historical Balance Sheet

Purchase Price Accounting

The Combined Myer Group Pro Forma Historical Balance Sheet has been prepared in accordance with the acquisition accounting principles as set out in AASB 3 on the basis of provisional amounts as set out below:

$m	
Share consideration[65]	574.4
Fair value of net assets acquired	166.2
Goodwill and other intangible assets on acquisition	**408.2**

The Combined Myer Group Pro Forma Historical Balance Sheet has been adjusted to reflect the:

- derecognition of the contributed equity of Just Group of $22.0 million;
- derecognition of the pre-acquisition reserves of Just Group of $1.5 million; and
- derecognition of the pre-acquisition retained earnings of Just Group of $145.7 million.

Other Pro Forma Adjustments

The Combined Myer Group Pro Forma Historical Balance Sheet has been adjusted to reflect the:

- Pre-Completion Dividend payable to Myer Shareholders of 2.5 cents per Myer Share; and
- estimated transaction costs of approximately $12.6 million (excluding GST) for Myer expected to be incurred directly in relation to the Combination in the financial period ending 26 July 2025.

6.8.8.2 Items not reflected in the Combined Myer Group Pro Forma Historical Balance Sheet

The Combined Myer Group Pro Forma Historical Balance Sheet has not been adjusted to reflect the payment of dividends of $4.2 million as announced by Myer with a payment date subsequent to 27 July 2024.

6.8.8.3 Working capital position

As at 27 July 2024, the Combined Myer Group Pro Forma Historical Balance Sheet has a net current liability position of $40.3 million, which includes cash and cash equivalents of $224.5 million. The net current liability includes the recognition of current lease liabilities of $242.8 million in accordance with AASB 16 *Leases*. The Combined Myer Group will have available borrowing facilities of $33.9 million, which when combined with the orderly realisation of inventory above cost will enable the Combined Myer Group to pay its debts as and when they become due and payable.

65. Estimated scrip consideration of $561.0 million assumes 100% of the shares in Just Group are acquired in exchange for 890.5 million Myer Shares, at an assumed trading price of Myer Shares on 21 June 2024 of $0.645 per share.

6.8.9 Combined Myer Group Pro Forma Historical Cash Flows

Set out below is the Combined Myer Group Pro Forma Historical Cash Flows for the financial periods ended 29 July 2023 and 27 July 2024 as though the Combination was completed on 31 July 2022.

Table 20: Combined Myer Group Pro Forma Historical Cash Flows

	29 July 2023	27 July 2024
For the financial period ended ($m)	52 weeks	52 weeks
Cash flows from operating activities		
Profit for the period	136.3	95.8
Depreciation, amortisation and impairment	304.2	303.7
Interest income	(7.4)	(10.8)
Finance costs	2.1	2.1
Share-based payments expense	4.3	2.3
Net exchange differences	(0.9)	(0.2)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables and prepayments	1.0	(6.1)
Decrease/(increase) in inventories	3.9	13.0
Decrease/(increase) in deferred tax assets	(12.2)	(4.4)
Decrease/(increase) in derivative financial instruments	2.8	0.7
Increase/(decrease) in trade and other payables	(26.1)	14.0
Increase/(decrease) in current tax payable	(30.2)	(8.8)
Increase/(decrease) in provisions	5.9	(6.2)
Increase/(decrease) in other liabilities	–	(0.1)
Net cash flows from operating activities	**383.8**	**395.2**
Cash flows from investing activities		
Payments for property, plant and equipment	(76.0)	(68.8)
Payments for intangible assets	(33.5)	(27.5)
Lease incentives and contributions received	25.8	10.1
Interest received	7.4	10.8
Net cash flows used in investing activities	**(76.3)**	**(75.5)**
Cash flows from financing activities		
Proceeds from borrowings, net of transaction costs	–	40.0
Repayment of borrowings, including transaction costs	–	(40.0)
Payments for principal portion of lease liabilities	(236.3)	(245.2)
Dividends paid to equity holders of the parent	(86.2)	(33.2)
Payment for acquisition of treasury shares	(3.1)	–
Net cash flows used in financing activities	**(325.6)**	**(278.4)**
Net increase/(decrease) in cash and cash equivalents	**(18.1)**	**41.3**

Set out below are reconciliations of the Myer Historical Cash Flow Statements to the Combined Myer Group Pro Forma Historical Cash Flows for the financial periods ended 29 July 2023 and 27 July 2024.

Table 21: Reconciliation of the Myer Historical Cash Flow Statement to Combined Myer Group Pro Forma Historical Cash Flow for the financial period ended 29 July 2023

$m	Myer	Apparel Brands[66]	Combined Myer Group Pro Forma
Cash flows from operating activities			
Profit for the period	60.4	75.9	136.3
Depreciation, amortisation and impairment	213.2	91.0	304.2
Interest income	(4.7)	(2.7)	(7.4)
Finance costs	2.1	–	2.1
Share-based payments expense	4.3	–	4.3
Net exchange differences	(0.9)	–	(0.9)
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables and prepayments	–	1.0	1.0
Decrease/(increase) in inventories	(2.7)	6.6	3.9
Decrease/(increase) in deferred tax assets	(11.6)	(0.6)	(12.2)
Decrease/(increase) in derivative financial instruments	2.8	–	2.8
Increase/(decrease) in trade and other payables	(17.4)	(8.7)	(26.1)
Increase/(decrease) in current tax payable	(14.0)	(16.2)	(30.2)
Increase/(decrease) in provisions	6.2	(0.3)	5.9
Increase/(decrease) in other liabilities	–	–	–
Net cash flows from/(used in) operating activities	**237.7**	**146.1**	**383.8**
Cash flows from investing activities			
Payments for property, plant and equipment	(66.8)	(9.2)	(76.0)
Payments for intangible assets	(33.5)	–	(33.5)
Lease incentives and contributions received	25.8	–	25.8
Interest received	4.7	2.7	7.4
Net cash flows used in investing activities	**(69.8)**	**(6.5)**	**(76.3)**
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs	–	–	–
Repayment of borrowings, including transaction costs	–	–	–
Payments for principal portion of lease liabilities	(142.8)	(93.5)	(236.3)
Dividends paid to equity holders of the parent	(86.2)	–	(86.2)
Payment for acquisition of treasury shares	(3.1)	–	(3.1)
Net cash flows used in financing activities	**(232.1)**	**(93.5)**	**(325.6)**
Net increase/(decrease) in cash and cash equivalents	**(64.2)**	**46.1**	**(18.1)**

66. The cash flows for Apparel Brands incorporate those associated with the transaction perimeter and the TSA. Accordingly, the profit for the period represents $76.4 million for Apparel Brands, less a loss for the period of $0.5 million for the transaction perimeter and the TSA.

Table 22: Reconciliation of the Myer Historical Cash Flow Statement to Combined Myer Group Pro Forma Historical Cash Flow for the financial period ended 27 July 2024

$m	Myer	Apparel Brands[67]	Combined Myer Group Pro Forma
Cash flows from operating activities			
Profit for the period	43.5	52.3	95.8
Depreciation, amortisation and impairment	210.9	92.8	303.7
Interest income	(5.5)	(5.3)	(10.8)
Finance costs	2.1	–	2.1
Share-based payments expense	2.3	–	2.3
Net exchange differences	(0.2)	–	(0.2)
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables and prepayments	(5.2)	(0.9)	(6.1)
Decrease/(increase) in inventories	2.8	10.2	13.0
Decrease/(increase) in deferred tax assets	(3.1)	(1.3)	(4.4)
Decrease/(increase) in derivative financial instruments	0.7	–	0.7
Increase/(decrease) in trade and other payables	16.3	(2.3)	14.0
Increase/(decrease) in current tax payable	(13.0)	4.2	(8.8)
Increase/(decrease) in provisions	(6.6)	0.4	(6.2)
Increase/(decrease) in other liabilities	(0.1)	–	(0.1)
Net cash flows from operating activities	**244.9**	**150.3**	**395.2**
Cash flows from investing activities			
Payments for property, plant and equipment	(52.0)	(16.8)	(68.8)
Payments for intangible assets	(27.5)	–	(27.5)
Lease incentives and contributions received	10.1	–	10.1
Interest received	5.5	5.3	10.8
Net cash flows used in investing activities	**(63.9)**	**(11.6)**	**(75.5)**
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs	40.0	–	40.0
Repayment of borrowings, including transaction costs	(40.0)	–	(40.0)
Payments for principal portion of lease liabilities	(151.5)	(93.7)	(245.2)
Dividends paid to equity holders of the parent	(33.2)	–	(33.2)
Payment for acquisition of treasury shares	–	–	–
Net cash flows used in financing activities	**(184.7)**	**(93.7)**	**(278.4)**
Net increase/(decrease) in cash and cash equivalents	**(3.7)**	**45.0**	**41.3**

67. The cash flows for Apparel Brands incorporate those associated with the transaction perimeter and the TSA. Accordingly, the profit for the period represents $52.3 million for Apparel Brands and nil for the transaction perimeter and the TSA.

6.8.9.1 Adjustments to the Combined Myer Group Pro Forma Historical Cash Flows

Transaction perimeter and TSA

The Combined Myer Group Pro Forma Historical Cash Flows have been adjusted to incorporate commercial terms relating to net compensation payable[68] by Myer to Premier under the TSA of $40.7 million and $39.7 million, net of the reversal of corporate costs allocated by Premier to Apparel Brands for the financial periods ended 29 July 2023 and 27 July 2024, respectively before income tax.

6.8.9.2 Items not reflected in the Combined Myer Group Pro Forma Historical Cash Flows

The Combined Myer Group Pro Forma Historical Cash Flows have not been adjusted to reflect:

- estimated transaction costs of approximately $12.6 million (excluding GST) for Myer expected to be incurred directly in relation to the Combination in the financial period ending 26 July 2025;
- payment of dividends of $4.2 million as announced by Myer with a payment date subsequent to 27 July 2024;
- payment of the Pre-Completion Dividend to Myer Shareholders of $20.9 million;[69] and
- any dividends paid by Just Group during the financial periods ended 29 July 2023 and 27 July 2024.

68. Net of $2.6 million income receivable by Myer from Premier under the TSA for the financial periods ended 29 July 2023 and 27 July 2024.
69. Based on 837,557,023 Myer shares outstanding as at the Last Practicable Date.

7. Risk Factors

7. Risk Factors

7.1 Overview

The risk factors described below are not an exhaustive list or explanation of all risks relating to the Combination, the Combined Myer Group or Myer Shares and should be used as guidance only. Additional risks and uncertainties relating to the Combination, the Combined Myer Group or Myer Shares that are not currently known to Myer, or which may currently appear to be immaterial may individually or cumulatively also have a material adverse effect on the Combined Myer Group's business, results of operations, financial position or prospects.

In considering the Combination, Myer Shareholders should be aware that there are a number of risks that should be taken into account. This section outlines the key risks relating to:

- implementation of the Combination (see Section 7.2);
- Myer Group and the Combined Myer Group (see Section 7.3); and
- general risks (see Section 7.4).

As both Myer and Apparel Brands have significant exposure to the retail sector, a number of the risks relating to the Combined Myer Group are, or will be, risks to which either or both of Myer Shareholders and Premier Shareholders are already exposed to and will continue to be exposed to even if the Combination does not proceed.

These risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of individual investors. If you do not understand any part of this Explanatory Memorandum (including these risk factors) or are in any doubt as to any action to take in relation to the Combination, you should consult your legal, financial, taxation or other professional adviser.

You should carefully consider the risk factors set out in this Section 7, as well as the other information contained in this Explanatory Memorandum.

7.2 Combination

(a) **Completion risk:** There is a risk that the Combination may not complete due to a failure to satisfy any of the Conditions in the Share Sale and Implementation Agreement (for example, a failure to obtain the required shareholder approvals from Myer Shareholders or Premier Shareholders). Furthermore, a delay to the satisfaction or waiver of any of the Conditions in the SSIA could delay the implementation of the Combination for a significant time period or prevent it from occurring.

Any delay or failure to fully complete the Combination could result in adverse consequences for Myer and Myer Shareholders as the share price may be affected, certain costs relating to the Combination may still be incurred and the combination benefits and other benefits anticipated from the Combination may not be realised, which may adversely affect Myer's operations, financial position and financial performance.

(b) **Verification risk:** Myer may not be able to verify the accuracy, reliability or completeness of all information it has received regarding Apparel Brands, and the SSIA may not adequately compensate Myer for losses attributable to breaches by Premier of any representations or warranties in the SSIA.

Myer has conducted due diligence investigations in connection with the Combination. As part of this, Myer has relied on the information provided by Premier as well as on the due diligence investigations conducted by its employees and its advisers. To the extent that any investigation by Premier's employees or advisers, or that any information provided to it, is incomplete, incorrect, inaccurate or misleading, the actual performance of the Combined Myer Group may be different from what was expected, which may have an adverse impact on Myer's financial position and performance.

It is also possible that the business and financial analysis Myer has undertaken in connection with the Combination has resulted in conclusions and forecasts that are inaccurate, or that are not realised in due course, whether because of flawed methodology, misinterpretation of economic circumstances, tax treatment or otherwise.

There is also no assurance that all material issues and risks in respect of the Combination have been identified and avoided or managed appropriately. Therefore, there is a risk that one or more issues may arise that will have a material impact on the Combined Myer Group that were not identified through due diligence or for which there is no contractual protection for Myer. This could adversely affect the business, results of operations and financial position of the Combined Myer Group.

(c) Integration risk: The success of the Combination and the ability to realise the combination benefits will be dependent on the successful integration of the Myer and Apparel Brands Business. There are risks that any integration between the businesses of Myer and Apparel Brands may be more complex than expected. A failure to fully integrate the operations of Apparel Brands, or a delay in or disruption to the integration process could impose unexpected costs that may adversely affect the financial performance and position of Myer.

Potential factors that may impact a successful integration include:

- challenges and difficulties associated with managing the larger and more complex Combined Myer Group;
- disruption to the ongoing operations or business relationships of either or both businesses;
- higher than anticipated integration costs, including unforeseen costs relating to integration and separation of operational systems for both businesses;
- extended period of transition services or duplicated activities due to delays in separation of the Just Group and/or delays in implementing replacement processes or services;
- unanticipated loss of key personnel or expert knowledge, or reduced employee productivity due to uncertainty arising as a result of the Combination;
- addressing possible differences in business backgrounds, corporate cultures and management philosophies; and
- conforming standards, controls, procedures and policies, and compensation structures between the companies.

(d) Third-party consents: Implementation of the Combination may trigger change of control or other provisions in certain agreements to which Myer or Just Group are party. If consents or waivers under the relevant agreements are not obtained or granted, this may have an adverse effect on the integration of the Combination and the Combined Myer Group generally.

(e) Transitional arrangements: Establishing Apparel Brands as an independent and separate business from Premier is a significant undertaking. To assist with this, Myer and Premier will provide each other with certain transitional services following Completion through the TSAs. There is a risk that the TSAs or individual services may be terminated early or that the Just Group may not be in a position to be entirely independent from the services provided by Premier Group at the expiry of the TSAs. There is no guarantee that the Just Group will be able to extend the term of the TSAs or enter into new transitional services arrangements. There is also a risk that the establishment and integration of each business' capabilities may take longer than expected or may involve greater costs than anticipated or provided for under the TSAs.

(f) Dilution of Myer Shareholders ownership: After implementation of the Combination, existing Myer Shareholders will have significantly diluted ownership and voting interests in Myer than they currently have and therefore will exercise less influence over management. It is expected that as a result of the new shares issued to Premier and distributed to Premier Shareholders, existing Myer Shareholders will own 48.5% of the shares in the Combined Myer Group and Premier Shareholders will receive 51.5% of the shares in the Combined Myer Group. Unless a Myer Shareholder is also a Premier Shareholder, the Myer Shareholder is likely to have its ownership and voting interests in Myer diluted as a result of the Combination.

7.3 Myer Group and the Combined Myer Group

(a) Future earnings of the Combined Myer Group: Myer has undertaken financial and business analysis of Apparel Brands in order to determine its attractiveness to Myer and whether to pursue the Combination. To the extent that the actual results achieved by Combined Myer Group are weaker than those anticipated, there is a risk that the profitability and future earnings of the operations of the Combined Myer Group may differ (including in a materially adverse way) from Myer's current performance.

(b) Enlarged group: After implementation of the Combination, the Combined Myer Group will be exposed to risks that may be greater than they would be on a standalone basis and therefore may adversely affect the financial position or performance of the Combined Myer Group. Accordingly, Myer Shareholders will be exposed to certain additional risks relating to the Combined Myer Group and the integration of the two businesses. Correspondingly, Premier Shareholders who become Myer Shareholders will be exposed to additional risks relating to Myer.

While the operations of Myer and Apparel Brands are similar in a number of ways, there may be further risks relating to the operation of a broader suite of assets that arise in relation to the Combined Myer Group. In particular, the asset portfolio, capital structure and size of the Combined Myer Group will be different from that of Myer and Apparel Brands on a standalone basis. These risks and the impact on the Combined Myer Group may be greater than they would be on a standalone basis and therefore may adversely impact the Combined Myer Group's business, financial position and results of operations.

(c) Combination benefits: There is a risk that the anticipated potential combination benefits may not be realised to their full extent or not realised at all. Further, the anticipated combination benefits may be realised over a longer period of time or involve greater costs to achieve than anticipated. The ability to realise the anticipated combination benefits will be dependent on, amongst other things, Apparel Brands being integrated efficiently, effectively and in a timely manner without disruption to the respective businesses. Any failure to achieve the anticipated combination benefits could impact the financial performance and position of the Combined Myer Group.

(d) Supplier and supply chain risks: Several products of Myer have historically been predominantly sourced from outside Australia. While Myer has a diversified supplier base, it will continue to rely on key suppliers. Any material change or disruption to Myer's sourcing or supply chain could have an adverse impact on its inventory availability.

This may include:

- adverse effects on economic conditions (e.g. wage inflation), regulatory changes (e.g. export duties) and political environment (including trade wars and tariffs);
- adverse effects of war or terrorism, natural disasters or epidemics in these markets;
- disruption to critical points of infrastructure;
- adverse changes in or disruptions to existing relationships or operations with suppliers; and
- unexpected, prolonged or repeated disruption to services provided by suppliers.

(e) Inventory management: Myer must maintain sufficient inventory and have this inventory located in in-store networks and distribution networks appropriately to meet demand. Myer relies on its inventory management systems to manage stock levels and to assist with forecasting stock purchases. If Myer does not accurately forecast or manage its inventory levels, or Myer fails to maintain adequate levels of inventory, it could result in Myer incurring additional costs and/or losing revenue.

(f) Brand reputation risks: As one of the top 10 most trusted brands in Australia as reported in the Roy Morgan 2023 Risk Report, Myer's strong brand reputation is crucial for building positive relationships with customers, suppliers, and contractors which in turn generates sales and goodwill towards the Myer Group. A significant event or issue (including inability to meet sustainability commitments and regulatory expectations) could attract strong criticism of the Myer brand, which could impact sales or Myer's share price. Myer has a range of policies and initiatives to mitigate brand risk, including an updated Code of Conduct, a Whistleblower Policy, an Ethical Sourcing Policy, marketing campaigns, and ongoing environmental and sustainability initiatives.

(g) **Competitive landscape risks:** The Australian retail industry in which Myer operates remains highly competitive. Myer's competitive position may be negatively impacted by new entrants to the market, existing competitors, changes to consumer demographics and increased online competition, which could impact sales. To mitigate these risks, Myer continues to select optimal merchandise assortment with the right categories and brands.

(h) **Strategic and business plan risks:** A failure to deliver Myer's strategic plan could impact sales, profitability, share price and its reputation. It includes that all team members, brand partners and suppliers provide Myer customers with the service, brands and products they desire and expect, both in store and online. The strategy has been overlaid and enhanced with additional details of initiatives and mitigation plans to ensure it remains 'fit for purpose'. This includes changes to the economic environment, customer behaviours, and to the retail landscape.

(i) **People management risks:** With the impact of current low unemployment and labour shortages in the external market, Myer continues to focus on the attraction and retention of talented senior managers to ensure that its leadership team has the right skills and experience to deliver its strategy, and store and online team members to ensure sales growth. Myer Group's performance and the execution of its strategies will depend on its ability to attract and retain key executive management and operating personnel that are sufficiently experienced and have the requisite degree of skills and capabilities needed to effectively perform their roles, and to foster a high performance and risk-focused culture. Failure to do so may adversely impact Myer's ability to deliver on its strategic imperatives and have an adverse effect on its financial performance. Training and development programs continue to be offered to further refine the skills of Myer's team members and business leaders and forms a part of Myer's overall attraction and retention strategy.

The combination of the competitive labour market, increases to the cost of living, and inflation impacts has compelled Myer to remain in line with shifts in external salary and employee benefits. To meet this, Myer conducted an annual remuneration review using salary data benchmarked against external market information and regularly analyses employee turnover data to identify and mitigate any flight risks of team members in key roles.

The safety of its team members, customers, and suppliers is a high priority at Myer. Failure to manage health and safety risks could have a negative effect on team member wellbeing, and Myer's reputation and performance. Myer has well developed safety management systems that are implemented across each store, distribution centre and the support office. Detailed risk assessments are conducted and regularly reviewed for existing and emerging risks and regular education programs are delivered to all team members.

(j) **Technology risks, including cyber security:** With Myer's increasing reliance on technology in a rapidly changing digital environment, there is a risk that the disruption, malfunction, or obsolescence of Myer's technology applications and infrastructure, inability to attract and retain qualified team members, cyber security violation or data breach of personal information could have a detrimental effect on Myer's sales, business efficiencies, and brand reputation. To offset these risks, Myer continues to invest and develop in-house technology capabilities and engage with reputable third-party IT service providers to ensure that it has reliable IT systems and issue management processes in place.

(k) **Websites:** The Combination will result in the Myer Group operating two separate eCommerce websites for a transitional period. Managing two online platforms simultaneously may lead to inefficiencies, including higher operational costs, duplication of resources, and inconsistencies in customer experience. The process of integrating the two websites may also involve unforeseen technical and logistical challenges. Cyber security risks may also increase during the integration period. The failure to effectively manage these risks and successfully integrate the websites within the planned timeline may adversely impact Myer's financial performance.

(l) **Sustainability:** Myer is focused on making its business more sustainable and meeting its environmental, social and governance targets in light of the regulatory changes around mandatory reporting, ethical sourcing and modern slavery. A failure to meet sustainability standards may have an adverse financial and reputational impact for Myer.

(m) **Property:** Myer's store footprint and portfolio will be assessed, reviewed and revised on an ongoing basis to seek to optimise the financial and operational performance of Myer. Myer's financial performance and future growth is expected to be influenced by its ability to both retain existing store sites and secure new store sites in suitable locations, each on acceptable terms. Factors including the availability of new stores, profitability of new stores, and higher rental and operating costs may adversely affect Myer's future financial and operational performance.

(n) **Operating specialty stores:** The Combination will result in the Combined Myer Group operating an increased number of specialty retail stores. Operating specialty retail stores present different risks compared to department stores which offer multiple brands. Failure to appropriately manage these risks, integrate these specialty stores within Myer's broader business model and implement its operational strategy may adversely affect the financial performance of Myer.

(o) **Refinancing:** Myer currently relies on debt facilities to support its ongoing operations and strategic initiatives. Myer may seek to refinance and increase its existing debt facilities to support the Combined Myer Group. There is no certainty as to the availability of debt facilities or the terms on which such facilities may be provided in the future. Adverse conditions in credit markets, such as rising interest rates, tightened lending criteria, or diminished lender confidence in the retail sector, could impact Myer's ability to secure refinancing. Additionally, changes in Myer's financial performance, credit ratings, or broader economic conditions may affect its attractiveness to potential lenders. If Myer is unable to refinance its existing debt on favourable terms or at all, Myer may face higher borrowing costs, reduced financial flexibility, and less liquidity to meet operational and strategic needs, which may adversely affect the financial performance of Myer.

7.4 General risks

(a) **External environment risks:** Unstable and deteriorating macroeconomic factors such as the fluctuation of the Australian dollar and increasing interest rates; heightened domestic and global inflation leading to cost of living pressure; poor consumer confidence; changes in government policies; external, natural or unforeseen events, such as an act of terrorism, political instability, global conflicts, national strikes or pandemic; transition to a lower carbon economy; physical impacts of climate change and weakness in the global economy could adversely impact Myer's ability to achieve financial and trading objectives. Myer regularly analyses and monitors economic and other available data to allow Myer to develop action plans to mitigate the future impact on sales and cost of doing business, and has implemented conservative hedging, capital management, and marketing and merchandise initiatives to address the cyclical nature of the business.

(b) **Regulatory:** From time to time, Myer may be subject to regulatory investigations and disputes, including by the ATO, federal or state regulatory bodies including the Australian Competition and Consumer Commission, ASIC, ASX and federal and state work, health and safety authorities. The outcome of any such investigations or disputes may have a material adverse effect on Myer's operating and financial performance. Myer has an established governance framework to monitor, assess and report on such occurrences to senior management when they arise. Myer may also be required to comply with any new changes in law or regulation, which may be more onerous or costly to the business.

(c) **Litigation:** Myer is required to maintain compliance with applicable laws and regulations. Failure to comply could result in enforcement action and claims, which may have a material adverse impact on Myer's reputation, financial performance and profitability. Legal proceedings and claims may also arise in the ordinary course of Myer's business and could result in high legal costs, adverse monetary judgements, reputational damage and other adverse consequences. Myer has an established governance framework to monitor, assess and report to management on litigation risks when they arise, and seeks to minimise risk through appropriate compliance training for team members and management.

(d) **Pandemics:** The impact of any future pandemics on Myer's operations (including any requirement for temporary store closures), domestic and global economic conditions, and consumer behaviour remains uncertain, and may adversely affect Myer's financial position and performance. However, the Executive Management Team monitors and assists the business to adapt to changes in ongoing risks and adhere to government requirements and health measures when the need arises. In addition, Myer continues to remain prepared to adapt to changing market conditions (including adjusting its strategic initiatives in response to the changing market context), whilst maintaining its focus on the disciplined management of costs and preservation of cash to ensure it is well placed to deal with any future impacts.

(e) **Investment in capital markets:** As with all stock market investments, there are risks associated with an investment in Myer as a listed company. Securities listed on the stock market can experience price and volume fluctuations that may be unrelated to the operating performances of that company. These factors may materially affect the market price of Myer's shares regardless of Myer's performance.

(f) **Tax laws:** Taxation law is complex and frequently changing, both prospectively and retrospectively. Changes in taxation law (including employment tax, GST and stamp duty), or changes in the way taxation laws are interpreted, create a degree of uncertainty and may impact the tax liabilities or future profitability of Myer or the tax treatment of a shareholder's investment. In particular, any change to the current rate of company income tax in jurisdictions where Myer operates will impact on shareholder returns. In addition, any change in tax arrangements between Australia and other jurisdictions could have an adverse impact on the level of dividend franking.

Tax authorities may review the current or historical tax treatment of Myer's operations or transactions entered into by Myer, including the Combination. Any actual or alleged failure to comply with, or any change in the application or interpretation of, taxation laws applied in respect of such transactions, may increase its liabilities or expose it to legal, regulatory or other actions, including interest, penalties and/or fines. An interpretation of taxation law by a revenue authority that is contrary to Myer's interpretation of those taxation laws may also increase the amount of tax to be paid.

8. Material Tax Implications of the Combination

8. Material Tax Implications of the Combination

8.1 Overview

Set out below is a general summary of certain Australian income tax, Goods and Services Tax (**GST**) and stamp duty implications for Myer Shareholders in relation to the following (the **Relevant Tax Matters**):

- certain implications associated with holding Distribution Shares (including following the In Specie Distribution); and
- a subsequent disposal of Distribution Shares (including Myer Shares obtained from the In Specie Distribution).

This summary does not constitute financial product advice as defined in the *Corporations Act 2001* (Cth).

This general summary is directed at Myer Shareholders who:

- hold Distribution Shares as a result of the In Specie Distribution;
- are residents of Australia for Australian income tax purposes or non-residents of Australia for Australian income tax purposes who do not hold Myer Shares through a permanent establishment in Australia; and
- hold their Myer Shares on capital account.

The summary below does not apply to Myer Shareholders who:

- do not hold Distribution Shares;
- hold their Myer Shares as revenue assets (e.g. because they use their Myer Shares in carrying on a business of share trading, banking or insurance, hold the Myer Shares as trading stock, or have acquired Myer Shares for the purpose of on-sale at a profit);
- acquired their Myer Shares under any employee share scheme;
- are "temporary residents" as that term is defined in section 995-1 of the *Income Tax Assessment Act 1997* (Cth);
- are exempt from Australian income tax or subject to concessional tax regimes (for example the Australian Investment Manager Regime);
- may be subject to special tax rules, including insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents; or
- are subject to the "taxation of financial arrangements" provisions in Division 230 of the *Income Tax Assessment Act 1997* (Cth). It is noted that Division 230 will generally not apply to the financial arrangements of individuals, unless an election has been made for those rules to apply.

These investors should seek their own professional advice based on their particular facts and circumstances.

This taxation summary is based on the Australian tax law being the *Income Tax Assessment Act 1936* (Cth), *Income Tax Assessment Act 1997* (Cth), the *A New Tax System (Goods and Services Tax) Act 1999* (Cth), relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State/Territory revenue authority rulings, determinations, statements and administrative practice as it applies at 6:00am (Melbourne time) on the date of this Explanatory Memorandum. The comments do not take into account or anticipate changes in Australian tax law, administrative practice or future judicial interpretations of Australian tax law after this time. Future amendments to taxation legislation, or its interpretation by the courts or the taxation authorities, may take effect retrospectively and/or affect the conclusions drawn. The summary provided does not take into account the law of countries other than Australia.

This summary also does not take account of any individual circumstances of any Myer Shareholder and does not constitute tax advice. It does not purport to be a complete analysis of the potential tax consequences of the Relevant Tax Matters and, as mentioned above, is intended as a general guide of the Australian tax implications. Myer Shareholders should seek and rely upon specific advice applicable to their own circumstances from their own financial or tax advisers.

Neither Myer, nor any of its officers, employees, or advisers, accepts any liability or responsibility in respect of any statement concerning taxation consequences provided in this summary.

8.2 Note regarding the distribution of the Distribution Shares to Premier Shareholders

Premier intends to distribute the Distribution Shares to Premier Shareholders by way of the In Specie Distribution. Further details with respect to the In Specie Distribution, including certain material tax implications relating to the In Specie Distribution, are set out in the Premier Explanatory Booklet, available at www.asx.com.au and www.premierinvestments.com.au.

8.3 Dividends on Myer Shares

Australian resident shareholders

Dividends distributed by Myer on a Myer Share will constitute assessable income of an Australian tax resident investor for Australian income tax purposes.

Individuals and complying superannuation entities

Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend and, on the proviso they are a 'qualified person' (refer to further comments below), any franking credit attached to that dividend should also be included in their assessable income for the same income year.

Where a franking credit is included in the investor's assessable income, the investor will generally be entitled to a corresponding tax offset against tax payable on the investor's taxable income, subject to being a 'qualified person'. Where an investor is an individual or a complying superannuation entity, the investor will generally be entitled to a refund of tax to the extent that the franking credit tax offset exceeds the investor's income tax liability for the income year.

Where a dividend paid by Myer is unfranked, the investors will receive no tax offset.

Corporate investors

Where an investor is a company, the investor is required to include both the dividend and associated franking credit in their assessable income subject to being a "qualified person". A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate investors can then pass on the benefit of franking credits to their own investor(s) on the payment of dividends.

Excess tax offsets from franking credits arising in any income year will not usually give rise to a refund, but may be able to be converted into carry forward tax losses.

Investors that are companies should seek specific advice regarding the tax consequences of dividends received in respect of the shares they hold and the calculation and availability of carry forward tax losses arising from excess tax offsets.

Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and any associated franking credit in their assessable income in the year of derivation in determining the net income of the trust or partnership.

Subject to being a 'qualified person', the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the trust or partnership.

The relevant beneficiary or partner should seek specific advice regarding the tax consequences of distributions or dividends received in respect of shares held.

Shares held at risk

To be eligible for the franking credit tax offset, an investor must be a 'qualified person'. Broadly, to be a qualified person, an investor must satisfy the "holding period" rule and "related payments" rule.

The holding period rule broadly requires an investor to hold the shares 'at risk' for more than 45 days continuously (measured as the period commencing the day after the investor acquires the shares and ending on the 45th day after the day on which the shares become ex-dividend, i.e. excluding the days of acquisition and disposal). Any day on which an investor has a materially diminished risk of loss or opportunity for gain (through transactions such as granting options or warrants over shares or entering into a contract to sell the shares) will not be counted as a day on which the investor held the shares 'at risk'. This holding period rule is subject to certain exceptions, including that it will not apply to an investor who is an individual whose tax offset entitlement (from all franked distributions received in the income year) does not exceed $5,000 and to whom the related payments rule does not apply. Special rules apply to trusts and beneficiaries.

Under the related payments rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to a dividend. Broadly, a related payment is one where an investor or their associate passes on the benefit of the dividend to another person. The related payments rule requires the investor to have held the shares at risk for a continuous period of 45 days in the period commencing on the 45th day before, and ending on the 45th day after the day on which the shares become ex-dividend. Practically, this should not impact investors who do not pass the benefit of the dividend to another person. Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

Dividend washing rules can apply such that no tax offset is available (nor is an amount required to be included in assessable income for the tax offset) for a dividend received. Investors should consider the impact of these as well as other integrity measures which may apply to the claiming of tax offsets, having regard to their own facts and circumstances.

Non-Australian resident shareholders

If you are a non-Australian resident for Australian income tax purposes, dividends should not be subject to withholding tax to the extent the dividends are fully franked or relate to conduit foreign income.

To the extent an unfranked or partially franked dividend is paid to you, withholding tax may be payable. The rate of withholding tax is 30%. However, you may be entitled to a reduction in the rate of withholding tax if you are resident in a country which has a double taxation agreement with Australia.

GST and stamp duty

No GST or stamp duty should be payable by you in relation to the receipt of dividends on Myer Shares held by you.

8.4 Disposal of Myer Shares

Australian resident shareholders

The disposal of a Myer Share will constitute a disposal for CGT purposes.

On disposal of a Myer Share, you will make a capital gain if the capital proceeds from the disposal exceed the cost base of the Myer Share. You will make a capital loss if the capital proceeds are less than the reduced cost base of the Myer Share.

The capital proceeds on disposal of a Myer Share will generally be the money you received, or that you are entitled to receive, in respect of the disposal plus the market value of any other property you received, or that you are entitled to receive, in respect of the disposal.

The cost base and reduced cost base of each Myer Share will vary depending on the facts and circumstances existing at or around the time of acquisition of each Myer Share (including if the Myer Share was obtained as a consequence of the In Specie Distribution), during the holding period and on disposal of each Myer Share. Myer Shareholders should seek specific advice applicable to their own circumstances to determine the cost base in their Myer Shares.

8. Material Tax Implications of the Combination

If you are an individual, trustee or complying superannuation entity that has held Myer Shares (including following the In Specie Distribution) for 12 months or more at the time of disposal (not including the date of acquisition and disposal), you should be entitled to apply the applicable CGT discount factor to reduce the capital gain (after offsetting available capital losses). The CGT discount factor is 50% for individuals and trustees and 33⅓% for complying superannuation entities. Investors that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

If you make a capital loss, you can only use that loss to offset other capital gains (i.e. the capital loss cannot be offset against taxable income on revenue account). However, if the capital loss cannot be used in a particular income year, you may be able to carry it forward to use in future income years, provided certain loss utilisation tests are satisfied.

Non-Australian resident shareholders

If you are a non-resident of Australia for Australian income tax purposes and do not use your Myer Shares in carrying on a business through an Australian permanent establishment, the whole of any capital gain or capital loss made upon the disposal of your Myer Shares will be disregarded unless the Myer Shares constitute "indirect Australian real property interests" or are considered to be Australian sourced in cases where the ATO considers you hold the Myer Shares on revenue account. Based on the current law, your Myer Shares will constitute indirect Australian real property interests if:

- you hold a "non-portfolio interest" in Myer. You will hold a "non-portfolio interest" in Myer if you (together with your associates) hold 10% or more of the Myer Shares:
  - at the time of disposal; or
  - throughout a 12-month period during the 24 months preceding the disposal, and
- your Myer Shares pass the "principal asset test".

Note that based on announcements made by the Australian Federal Government, there are anticipated to be changes to the manner by which a "non-portfolio interest" is determined and also the "principal asset test". As currently anticipated, these rules will apply to CGT events occurring on or after 1 July 2025. These changes should be monitored and considered closer to the time of a disposal of the Myer Shares.

If you are subject to tax on disposal of your Myer Shares, the CGT discount will generally not be available to reduce any capital gain that you make.

Non-Australian resident CGT withholding

Where a non-resident of Australia for Australian income tax purposes disposes of certain taxable Australian property, the purchaser is generally required to pay an amount to the ATO.

A purchaser of your Myer Shares will generally have an obligation to pay 12.5% (however, see below proposed changes to increase this rate to 15%) of an amount equal to, broadly, the capital proceeds for the disposal of your Myer Shares (discussed in Section 8.4) (**CGT Withholding Tax**) to the ATO if your Myer Shares are "indirect Australian real property interests" (discussed above) and the purchaser:

- knows or reasonably believes that you are a non-resident of Australia; or
- does not reasonably believe that you are an Australian resident, and either:
  - you have an address outside Australia; or
  - the purchaser is authorised to pay the purchase price to a place outside Australia.

However, a purchaser may not be required to pay CGT Withholding Tax if you can make a declaration that:

- as the registered holder of Myer Shares, you are an Australian tax resident; or
- your Myer Shares are not indirect Australian real property interests.

If a purchaser considers that an obligation to pay CGT Withholding Tax arises, the purchaser is generally permitted to withhold an amount equal to the CGT Withholding Tax from any amount payable to you on disposal. In that instance, you will only receive the net proceeds from the disposal but will be taken to receive the full proceeds. Any CGT Withholding Tax withheld is not a final tax. You will receive a credit for amounts withheld on filing an Australian tax return and you may receive a refund of tax if amounts have been withheld in excess of your actual Australian tax liability.

Based on draft law, it is generally expected that the CGT Withholding Tax rate will be increased from 12.5% to 15% for acquisitions of shares that occur on or after 1 January 2025, at the earliest.

GST and stamp duty

No GST or stamp duty should be payable by you in respect of the disposal of Myer Shares.

Investors may not be entitled to claim input tax credits in respect of any GST included in the costs they have incurred in connection with their disposal of Myer Shares. Separate GST advice should be sought by investors in this respect, relevant to their circumstances.

8.5 Provision of TFN and/or ABN

Myer may be required to withhold tax (currently at the rate of 47%) on payments made to you (including payments of dividends that are not fully franked) and remit the amounts withheld to the ATO, unless you have provided a TFN or ABN or you have informed Myer that you are exempt from quoting your TFN or ABN (including because you are a non-Australian resident).

You are not required to provide your TFN or ABN to Myer, however you may choose to do so.

9. Additional Information

9. Additional Information

9.1 Specific information required by Listing Rule 10.5

For the purposes of the information requirements of Listing Rule 10.5 (in relation to the Myer Shareholder approval sought under Listing Rule 10.1), the following information is provided in respect of the Combination:

- Myer will acquire 100% of the issued share capital in Just Group Limited from Premier in consideration for Myer issuing the Consideration Shares (being 890,500,000 Myer Shares) to Premier. The Combination will be fully funded by the Consideration Shares.
- Myer Shareholder approval for the acquisition of Just Group Limited is required under Listing Rule 10.1 as Premier is a substantial (10%+) holder in Myer and the shares in Just Group are a substantial asset because the value of those shares and the consideration that will be paid for them will exceed 5% of the equity interests in Myer.
- Following the Pre-Completion Restructure, Just Group Limited will be the holding entity of the Apparel Brands Business, which comprises the Just Jeans, Jay Jays, Portmans, Dotti and Jacqui E businesses. Further information in relation to the Apparel Brands Business is contained in Section 5.
- Please refer to the Key Dates section for information on the proposed timetable for the Combination.
- Please refer to Annexure B for a summary of the material terms of the transaction documents.
- Please refer to the Notice of Meeting for a voting exclusion statement with respect to the Combination Resolution.

9.2 Specific information required by Listing Rule 10.13

For the purposes of the information requirements of Listing Rule 10.13 (in relation to the Myer Shareholder approval sought under Listing Rule 10.11), the following information is provided in respect of the Combination:

- Myer will issue the Consideration Shares (being 890,500,000 Myer Shares) to Premier as consideration for the acquisition of 100% of the shares in Just Group Limited.
- Myer Shareholder approval for the issue of the Consideration Shares is required under Listing Rule 10.11 on the basis that Premier is a substantial (30%+) holder in Myer.
- The Consideration Shares are expected to be issued by Myer on 29 January 2025. Please refer to the Key Dates section for further information on the proposed timetable for the Combination.
- No funds will be raised from the issue of the Consideration Shares. The purpose of the issue of the Consideration Shares is for consideration for its acquisition of 100% of the issued share capital of Just Group Limited. Please refer to Section 3.1 for further information.
- Please refer to Annexure B for a summary of the material terms of the transaction documents.
- Please refer to the Notice of Meeting for a voting exclusion statement with respect to the Combination Resolution.

9.3 Conditions

To implement the Combination, Myer and Premier must each satisfy (or waive) the Conditions, which include:

- Myer Shareholder approvals pursuant to ASX Listing Rule 10.1 and ASX Listing Rule 10.11;
- Premier Shareholder approval pursuant to section 256C of the Corporations Act;
- Completion of the Pre-Completion Restructure of the Just Group by Premier;
- Entry into a binding long form documentation in relation to certain transitional services, website agreements, and separation arrangements in each case based on agreed term sheets; and
- The parties obtaining certain regulatory reliefs and confirmations from ASIC and ASX.

Further information about the Conditions are set out in the summary of the SSIA in Annexure B.

Myer is not currently aware of any reason to expect that the Conditions will not be satisfied or waived on or around the date of the Meeting.

9.4 Summary of regulatory waivers and relief

ASIC

ASIC has granted in-principle relief to Premier so that the takeover provisions in the Corporations Act will not apply to the acquisition by Premier of the Consideration Shares in circumstances where Premier holds the Consideration Shares between Completion and implementation of the In Specie Distribution. ASIC has also granted in-principle relief to Premier from Parts 6D.2 and 6D.3 of the Corporations Act in respect of Premier undertaking the In Specie Distribution, and from section 707 of the Corporations Act in respect of Shareholders on-selling the Distribution Shares. ASIC has also granted in-principle relief to Myer in relation to the technical application of sections 606 and 671B of the Corporations Act to Myer resulting from the operation of certain contractual rights in the SSIA in relation to the Consideration Shares.

ASX

ASX has confirmed to Myer that:

- ASX Listing Rule 11.1 does not apply to the Combination and Myer is not required to seek shareholder approval or re-comply with ASX's admission or quotation requirements;
- ASX Listing Rule 10.1 does not apply to any transitional service arrangements or any other services arrangements in relation to the Combination
- Myer Shareholders that also hold Premier Shares will not be precluded from voting on the Combination Resolution; and
- ASX Listing Rule 10.11 does not preclude any Myer Director who holds Premier Shares from receiving Distribution Shares.

9.5 Consents

The following parties have given, and have not before the date of issue of this Explanatory Memorandum withdrawn, their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- Clayton Utz as Myer's legal adviser;
- Barrenjoey as Myer's financial adviser;
- Ernst & Young Strategy and Transactions Limited as Myer's investigating accountant;
- Ernst & Young as Just Group's auditor;
- PricewaterhouseCoopers as Myer's auditor;
- Kroll Australia Pty Ltd as the Independent Expert; and
- Link Market Services Limited as the Myer Registry.

Kroll Australia Pty Ltd has given, and has not before the date of this Explanatory Memorandum withdrawn, its written consent to the inclusion of the Independent Expert Report in Annexure C and references to the report in the form and context in which it is included in this Explanatory Memorandum.

Ernst & Young Strategy and Transactions Limited has given, and has not before the date of this Explanatory Memorandum withdrawn, its written consent to the inclusion of the Independent Limited Assurance Report in Annexure D of this Explanatory Memorandum.

Other than as specifically outlined above, each party referred to in this Section 9.5 has not caused or authorised the issue of this Explanatory Memorandum and does not make or purport to make any statement on which a statement in this Explanatory Memorandum is based and takes no responsibility for any part of this Explanatory Memorandum other than references to its name and/or the inclusion of its reports.

10. Glossary

10. Glossary

Term	Meaning
$	means the lawful currency for the time being of Australia.
AAS	means the Australian Accounting Standards.
AASB	means the Australian Accounting Standards Board.
ABN	means Australian Business Number.
Annexure	means an annexure of this Explanatory Memorandum.
ANZ	means Australia and New Zealand.
Apparel Brands or **Apparel Brands Business**	means the business carried on by the Just Group in Australia comprising Just Jeans, Jay Jays, Portmans, Jacqui E and Dotti, and excludes, for the avoidance of doubt any business carried on by the Smiggle Group and Peter Alexander Group.
ASIC	means the Australian Securities and Investments Commission.
ASX	means the Australian Securities Exchange, ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.
ASX Listing Rules	means the listings rules of the ASX.
ATO	means the Australian Taxation Office.
Barrenjoey	means Barrenjoey Advisory Pty Ltd (ABN 17 636 976 228).
Beneficiaries	means Myer, any of its related bodies corporate and any of their respective officers, directors, employees, advisers or representatives.
Business Days	means a day other than a Saturday, Sunday or public holiday in Melbourne, Australia.
Century Plaza Group	means Century Plaza Investments Pty Limited (ACN 006 640 115) and its associates.
CGT	means capital gains tax.
CODB	means cost of doing business.
COGS	means cost of goods sold.
Combination	the proposed acquisition by Myer of all of the issued share capital of Just Group Limited, the holding entity of the Apparel Brands Business, from Premier in consideration for the issuance of the Consideration Shares to Premier.
Combination Resolution	means the resolution to approve the Combination to be voted on at the Meeting, as set out in the Notice of Meeting.
Combined Myer Group	means the combination of the Myer Group and Apparel Brands following Completion of the Combination.
Combined Myer Group Pro Forma Historical Financial Information	means the Combined Myer Group Pro Forma Historical Balance Sheet, Combined Myer Group Pro Forma Historical Cash Flows and Combined Myer Group Pro Forma Historical Income Statements per Section 6.8.

Term	Meaning
Combined Myer Group Pro Forma Historical Balance Sheet	means the pro forma historical balance sheet for the Combined Myer Group as at 27 July 2024 per Section 6.8.
Combined Myer Group Pro Forma Historical Cash Flows	means the pro forma historical cash flows for the Combined Myer Group for the financial periods ended 29 July 2023 and 27 July 2024 per Section 6.8.
Combined Myer Group Pro Forma Historical Income Statement	means the pro forma historical income statements for the Combined Myer Group for the financial periods ended 29 July 2023 and 27 July 2024 per Section 6.8.
Completion	means completion of the sale and purchase of Just Group.
Completion Date	means the date on which Completion occurs, currently expected to be 26 January 2025.
Concession sales	represents the sale of concession holders goods to customers processed by Myer per Section 4.6.1.
Condition	means the conditions precedent set out in Section 9.3.
Consideration Shares	means 890,500,000 Myer Shares.
Corporations Act	means the *Corporations Act 2001* (Cth).
DC	means distribution centre.
DFO	means Direct Factory Outlet.
Distribution Shares	means the Consideration Shares and the Existing Shares.
EBIT	means earnings before interest and tax.
Effective Time	means 12:01am on the Completion Date.
EPS	means earnings per share.
Executive Management Team	means the individuals listed in Section 4.5.2 and, following Completion, includes the individuals listed in Section 6.4.3.
Existing Shares	means the Myer Shares held by Premier as at the Completion Date that are not Consideration Shares.
Explanatory Memorandum	means this document and all Annexures.
FAQ	means a question (and its corresponding answer) under the heading 'Frequently Asked Questions' in Section 2 of this Explanatory Memorandum.
Figure	means a figure in this Explanatory Memorandum.

10. Glossary

Term	Meaning
FY18	means the financial period ended 28 July 2018.
FY19	means the financial period ended 27 July 2019.
FY20	means the financial period ended 25 July 2020.
FY21	means the financial period ended 31 July 2021.
FY22	means the financial period ended 30 July 2022.
FY23	means the financial period ended 29 July 2023.
FY24	means the financial period ended 27 July 2024.
FY25	means the financial period ending 26 July 2025.
GM	means general manager.
GST	means a goods and services tax or similar value added tax levied or imposed under the GST Law.
GST Law	has the meaning given to it in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
IFRS	means the International Financial Reporting Standards.
Independent Expert	means Kroll Australia Pty Ltd (ACN 116 738 535).
Independent Expert Report	means the report from the Independent Expert in respect of the Combination, a copy of which is set out in Annexure C.
Independent Limited Assurance Report	means the report from the Investigating Accountant in respect of the Myer Historical Financial Information and the Combined Myer Group Pro Forma Historical Financial Information, a copy of which is set out in Annexure D.
Investigating Accountant	means Ernst & Young Strategy and Transactions Limited (ABN 87 003 599 844).
In Specie Distribution	means the distribution by Premier of the Distribution Shares on a pro rata basis to Premier Shareholders following Completion, subject to rounding and withholding requirements as set out in Premier's Explanatory Booklet available at www.asx.com.au and www.premierinvestments.com.au.
IP	means intellectual property.
Individually significant items and implementation costs	per Section 4.6.1, includes items relating to restructuring, space exit costs, impairments and other significant items.
Just Group	means Just Group Limited (ACN 096 911 410) and its Subsidiaries.
Just Group Member	means any member of the Just Group.
Last Practicable Date	means 12 December 2024, being the last practicable trading day prior to finalising the information in this Explanatory Memorandum.

Term	Meaning
Listing Rules	means the official listing rules of ASX, as amended, waived or modified from time to time.
LTI	means long term incentive.
MEB	means Myer Exclusive Brands.
Meeting	means the Extraordinary General Meeting of Myer Shareholders convened by the Notice of Meeting, including any adjournment or postponement of that meeting.
Meeting Record Time	means the time and date for determining eligibility to vote at the Meeting, being 7:00pm, 21 January 2025.
Myer or Myer Business	means Myer Holdings Limited (ACN 119 085 602).
Myer Board	means the board of directors of Myer, which comprises the Myer Directors.
Myer Director	means a director of Myer.
Myer Group	means Myer and each of its Subsidiaries and, from Completion, includes each Just Group Member.
Myer Group Member	means any member of the Myer Group.
Myer Historical Financial Information	means together the Myer Historical Balance Sheets, Myer Historical Cash Flow Statements and Myer Historical Income Statements per Section 4.6.
Myer Historical Balance Sheets	means the historical balance sheets for Myer as at 29 July 2023 and 27 July 2024 per Section 4.6.
Myer Historical Income Statements	means the historical income statements for Myer for the financial periods ended 29 July 2023 and 27 July 2024 per Section 4.6.
Myer Historical Statements of Cash Flows	means the historical statements of cash flows for Myer for the financial periods ended 29 July 2023 and 27 July 2024 per Section 4.6.
Myer Independent Directors	means the Myer Directors who are independent of Premier or its associates. For the avoidance of doubt, this includes all Myer Directors excluding Terry McCartney.
Myer Information	means the information in this Explanatory Memorandum, other than the Premier Information, the Independent Expert Report and the Investigating Accountant's Independent Limited Assurance Report.
MYER one	means Myer's customer loyalty program.
Myer Register	means the register of members of Myer maintained under the Corporations Act.
Myer Registry	means Link Market Services Limited (ACN 083 214 537).
Myer Share	means a fully paid ordinary share in the capital of Myer.

10. Glossary

Term	Meaning
Myer Shareholder	means each person who is registered in the Myer Registry as a holder of Myer Shares from time to time.
NDC	means national distribution centre.
Non-Associated Myer Shareholders	means Myer Shareholders other than Premier.
Notice of Meeting	means Myer's Notice of Meeting and the explanatory notes that form part of that notice as set out in Annexure A.
NPAT	means net profit or loss after tax.
Operating gross profit or **OGP**	means revenue, less cost of goods sold.
Peter Alexander or **Peter Alexander Group**	means Peter Alexander Sleepwear Pty Ltd and each of its Subsidiaries from time to time.
Premier	means Premier Investments Limited (ACN 006 727 966).
Premier Board	means the directors of Premier from time to time, acting as a Board.
Premier Director	means a director of Premier.
Premier Group	means Premier and its Subsidiaries and, from Completion, excludes each Just Group Member.
Premier Information	means: • all the information contained in Section 5; • this definition and the definitions of 'Premier', 'Premier Board', 'Premier Director', 'Premier Group', 'Premier Share', 'Premier Shareholder', 'Just Group', 'Just Group Member', 'Peter Alexander' and 'Smiggle'; • the information in Section 2 under the heading "What is Apparel Brands and who is Premier and Just Group?"; • statements in the Chair's letter and Sections 1, 2, 3.1 and 8.2 about Premier undertaking the In Specie Distribution; • historical financial information or other data of Apparel Brands provided by Premier to Myer to prepare and present the pro forma information and other information included in Section 6; and • the statement in Section 9.4 in respect of regulatory relief provided to Premier in connection with the Combination.
Premier Share	means a fully paid ordinary share in the capital of Premier.
Premier Shareholder	means a holder of Premier Shares.

Term	Meaning
Pre-Completion Dividend	means a fully franked dividend equal to (but no less or no more than) $0.025 per Myer Share, provided that the payment of such dividend: (a) is declared and paid in compliance with all applicable Tax Law and the Corporations Act; (b) is a 'frankable distribution' as defined in section 202-40 of the *Income Tax Assessment Act 1997* (Cth); (c) would not cause a franking deficit in the franking account of any Myer Group Member; (d) does not cause any Myer Group Member to breach the benchmark rule (as defined in section 995-1 of the *Income Tax Assessment Act 1997* (Cth)); (e) does not cause any Myer Group Member to be liable to pay any franking deficit tax or an amount by reference to franking deficit tax; and (f) does not cause the share capital account of any Myer Group Member to be tainted.
Pre-Completion Restructure	means the internal restructure of Just Group to be undertaken by Premier prior to Completion to separate the Peter Alexander and Smiggle businesses from the remainder of the Just Group, by transferring certain Peter Alexander and Smiggle entities, personnel and business assets and liabilities from the Just Group to Premier or a wholly-owned subsidiary of Premier that is not a subsidiary of Just Group.
Pro Forma Adjustments	has the meaning given in Section 6.8.1.
Proxy Form	means the proxy form accompanying the Notice of Meeting and Explanatory Memorandum.
Relevant Tax Matters	means relevant tax matters relating to certain Australian income tax, GST and stamp duty implications for Myer Shareholders as defined in Section 8.1.
Reported EBIT	means earnings before interest and tax per Section 4.6.1.
Sale of goods	means revenue from sale of goods before revenue deferred under the customer loyalty program per Section 4.6.1.
Section	means a section of this Explanatory Memorandum.
Separation Deed	means the separation deed to be entered into between Premier and Myer to give effect to the Pre-Completion Restructure.
Smiggle or **Smiggle Group**	means Smiggle Pty Ltd and each of its Subsidiaries from time to time.
Share Sale and Implementation Agreement or **SSIA**	means the Share Sale and Implementation Agreement between Myer and Premier dated 29 October 2024.
Strategic Review	means the strategic review Myer commenced in March 2024, focused on repositioning Myer's retail platform for sustainable and profitable long-term growth in an evolving retail landscape.
STI	means short term incentive.

10. Glossary

Term	Meaning
Subsidiary	has the meaning given to that term by section 9 of the Corporations Act.
TFN	means tax file number.
Table	means a table in this Explanatory Memorandum.
Total sales	means sale of goods to customers processed by Myer, including sales relating to concession holders per Section 4.6.1.
TSAs	means the transitional services agreements to be entered into between the Just Group and Premier Retail Services Pty Ltd in connection with the Combination.
TSR	means total shareholder return.
Underlying EBIT	means Reported EBIT excluding individually significant items and implementation costs per Section 4.6.1.
Underlying EBIT (pre-AASB 16)	means Underlying EBIT before accounting for AASB 16 *Leases* (AASB 16) per Section 4.6.1.
Undisturbed Date	means 21 June 2024, being the last trading day prior to Myer's ASX announcement which noted it had approached Premier to explore a potential combination with Apparel Brands.
VWAP	means the volume weighted average price.
Website Agreement	means the agreement to be entered into between the Just Group, Smiggle Pty Ltd and Peter Alexander Sleepwear Pty Ltd in relation to, among other things, the use by Peter Alexander and Smiggle of the 'multi-brand' website owned by the Just Group for a transitional period following Completion.

Annexure A: Notice of Meeting

Annexure A: Notice of Meeting

1. Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting (**Meeting**) of Myer Holdings Limited (ACN 119 085 602) (**Myer**) will be held at 9:00am on 23 January 2025 (Melbourne time) in person at The Edge, Fed Square – Swanston Street & Flinders Street, Melbourne VIC 3000, and online at https://meetings.linkgroup.com/MYRGM25.

Registration will commence at 8:30am (Melbourne time).

1.1 Items of Business

Item 1 – Approval of the Combination

To consider and if thought fit to pass as an ordinary resolution that, for the purposes of ASX Listing Rule 10.1, 10.11 and for all other purposes, approval is given for the issue of 890,500,000 Myer Shares to Premier Investments Limited in connection with the proposed acquisition of the Apparel Brands Business on the terms and conditions set out in the Explanatory Memorandum.

Voting exclusion statement applicable to item 1

In accordance with ASX Listing Rule 14.11, Myer will disregard any votes cast in favour of the resolution by or on behalf of:

- the person disposing of the substantial asset, or acquiring the substantial asset from, the entity and other person who will obtain a material benefit as a result of the transaction (except benefit solely by reason of being a holder of ordinary securities in the entity); or
- the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity); or
- any of its associates.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  (a) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  (b) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

2. Information For Shareholders

2.1 Myer Registry

Link Market Services (part of Link Group) was recently acquired by Mitsubishi UFJ Trust & Banking Corporation, a consolidated subsidiary of Mitsubishi UFJ Financial Group, Inc. (MUFG) on 16 May 2024. Link Group is now known as MUFG Pension & Market Services. Mailing and contact information are currently unchanged. Over the coming months, Link Market Services will also progressively rebrand to its new name MUFG Corporate Markets, a division of MUFG Pension & Market Services.

2.2 How to participate in the Meeting

The Meeting will be a hybrid meeting, held in person at The Edge, Fed Square – Swanston Street & Flinders Street, Melbourne VIC 3000, and online at https://meetings.linkgroup.com/MYRGM25.

Shareholders and proxyholders attending in person will be able to vote and ask questions during the Meeting. Shareholders and proxyholders attending online via the online platform will be able to access a webcast of the Meeting, vote and submit written questions. A telephone facility will also be available to shareholders and proxyholders to ask a question verbally during the Meeting. Interested parties may access a webcast of the Meeting via the Myer website, however this will not allow for voting or the asking of questions.

Further information on how to participate in the Meeting through each of these options is set out below.

2.3 Access to the webcast

The Meeting will be webcast live on the Investor and Media Centre section of Myer's website, https://investor.myer.com.au, and will also be archived on this website. Those accessing the webcast through the Myer website will not be able to vote or ask questions (shareholders and proxyholders attending the Meeting via the online platform will be able to access the webcast through that platform). You do not need to be a shareholder to access the webcast through the Myer website.

2.4 Attend the Meeting in person

Shareholders and proxyholders are welcome to attend the Meeting in person at The Edge, Fed Square – Swanston Street & Flinders Street, Melbourne VIC 3000. If you decide to attend in person, you will need to register at one of the registration desks on the day of the Meeting. Registration will commence at 8:30am (Melbourne time). For easier registration, please bring your Voting and Proxy Form with you as it includes your details and can be scanned for convenience.

2.5 Attend the Meeting online

Shareholders and proxyholders can participate in the Meeting by logging into the online platform provided by the Myer Registry at https://meetings.linkgroup.com/MYRGM25.

Online registration will commence at 8:30am (Melbourne time).

When you log in to the website, you will need to register your details by providing your name, email address, phone number, and company (optional), as well as agreeing to terms and conditions.

Once registered, to ask a question or get a voting card, you will need to click on the "ask a question" or "get a voting card" buttons and:

- if you are a shareholder, provide your shareholder number and postcode (or if you are an overseas shareholder, your country details); and
- if you are a proxyholder, provide your proxy number. Information on how proxies obtain a proxy number is set out in the "Vote Online During the Meeting" section below.

Corporate representatives of corporate shareholders or proxyholders should follow the instructions above to register as the shareholder or proxyholder they represent. Corporate representatives must submit a formal notice of Appointment of Corporate Representative signed by the corporation prior to the Meeting. Information on how to submit this notice is set out in the "Corporate representatives" section below.

Further information on voting online is set out in the "Voting" section below. Further information on submitting questions online is set out in the "Shareholder questions" section below.

If you require any additional information on how to participate in the Meeting online, please refer to the Virtual Meeting Online Guide lodged by Myer with the ASX. Alternatively, you can contact the Myer Registry on +61 1300 820 260 between 9:00am and 5:00pm (Melbourne time).

2.6 Ask questions via telephone

A telephone facility will be available through the online platform to shareholders and proxyholders to ask a question verbally during the Meeting.

Further information on submitting questions via the telephone facility is set out in the "Shareholder questions" section below.

3. Voting

3.1 Entitlement to vote

The Directors have determined that for the purposes of voting at the Meeting, shareholders will be taken to be those persons who are the registered holders of Myer Shares as at 7:00pm on 21 January 2025 (Melbourne time).

3.2 How to vote

If you are entitled to vote at the Meeting you can exercise your vote in the following ways:

(a) Voting at the Meeting in person

Shareholders, proxyholders, attorneys, and corporate representatives who attend the Meeting in person will be able to vote during the Meeting.

(b) Lodge your vote before the Meeting

You can lodge your vote directly at https://investorcentre.linkgroup.com before the Meeting. To lodge your vote via this website, you will need to select the "Login" option on the website, and log in to your shareholding account using your holding details. You will need to provide your shareholder number and the postcode registered on your holding (or if you are an overseas shareholder, your country details).

Once logged in, you can vote by selecting the "Voting" tab, and then under the heading "Action" select the "Vote" option and follow the prompts to lodge your vote.

If you wish to vote online before the Meeting, your vote must be lodged by 9:00am on 21 January 2025 (Melbourne time).

You can also vote directly before the Meeting by following the voting instructions on your personalised Voting and Proxy Form and submitting this to the Myer Registry in one of the following ways:

- **by mail to:**
  Myer Holdings Limited
  c/o Link Market Services
  Locked Bag A14
  Sydney South NSW 1235
- **in person by delivering it to the Myer Registry between 9:00am and 5:00pm Monday to Friday at:**
  Parramatta Square
  Level 22, Tower 6, 10 Darcy Street
  Parramatta NSW 2150
- **by facsimile to:** +61 2 9287 0309

Completed Voting and Proxy Forms must be received by the Myer Registry no later than 9:00am on 21 January 2025 (Melbourne time).

(c) Appoint a proxy or attorney before the Meeting to vote on your behalf

Shareholders entitled to vote at the Meeting are entitled to appoint a proxy or attorney to attend and vote on their behalf.

You can appoint a proxy online at https://investorcentre.linkgroup.com. To appoint your proxy via this website, you will need to select the "Login" option on the website and log in to your shareholding account using your holding details (you will need to provide your shareholder number and the postcode registered on your holding (or if you are an overseas shareholder, your country details).

Once logged in to your shareholder account, you can appoint a proxy by selecting the "Voting" tab and then under the heading "Action" select the "Vote" option and follow the prompts to complete your proxy appointment.

If you wish to appoint a proxy online, your appointment must be submitted by 9:00am on 21 January 2025 (Melbourne time).

You can also appoint a proxy or attorney by following the instructions on your personalised Voting and Proxy Form and submitting this to the Myer Registry in one of the following ways:

- **by mail to:**
  Myer Holdings Limited
  c/o Link Market Services
  Locked Bag A14
  Sydney South NSW 1235
- **in person by delivering it to the Myer Registry between 9:00am and 5:00pm Monday to Friday at:**
  Parramatta Square
  Level 22, Tower 6, 10 Darcy Street
  Parramatta NSW 2150
- **by facsimile to:** +61 2 9287 0309

Proxy or attorney appointments must be received by the Myer Registry no later than 9:00am on 21 January 2025 (Melbourne time).

If you have appointed an attorney to attend and vote at the Meeting, or if your proxy is signed by an attorney, the power of attorney (or a certified copy of the power of attorney) must also be received by the Myer Registry by 9:00am on 21 January 2025 (Melbourne time), unless this document has previously been lodged with the Myer Registry for notation. Powers of attorney may be delivered to the Share Registry by mail to the address above.

Further details on the appointment of, and voting by, proxies or attorneys are provided below.

(d) Vote online during the Meeting

Shareholders, proxyholders, attorneys, and corporate representatives who attend the Meeting by logging into the online platform at https://meetings.linkgroup.com/MYRGM25, will be able to vote online during the Meeting.

Registration will open from 8:30am on 23 January 2025 (Melbourne time).

Details on how to login to the website are provided in the "Attend the Meeting Online" section above.

When you log in to the online platform you will be required to register as a shareholder or proxy holder or attorney to be able to vote your shares or the shares you represent as proxy or attorney. Proxies and attorneys will need a proxy number, issued by the Share Registry to register to vote once logged in. The Share Registry will endeavour to provide confirmation of the proxy number via email to nominated proxy holders/attorneys prior to the Meeting and following lodgement of the proxy or attorney appointment. Alternatively, proxy holders or attorneys can call the Meeting help line on +61 1800 990 363 on the day of the Meeting to request confirmation of the proxy number.

Voting on Item 1 will be by poll and the Chair of the Meeting will open the poll once the Meeting commences, and you will be able to vote at any time during the Meeting and for a short time afterwards (you will be notified on the online platform how much time is left).

If you have lodged a direct vote before the Meeting and then vote online during the Meeting, your direct vote lodged before the Meeting will be cancelled.

4. Proxies and attorneys

4.1 Appointing proxies and attorneys

Shareholders entitled to vote at the Meeting are entitled to appoint a proxy or attorney to attend and vote on their behalf. A proxy or attorney need not be a shareholder and can be either an individual or a body corporate.

A shareholder that is entitled to cast two or more votes may appoint no more than two proxies or attorneys. Shareholders who wish to appoint two proxies or attorneys may specify the percentage of votes or number of shares to be voted by each proxy or attorney when appointing their proxy or attorney. If a shareholder appoints two proxies or attorneys and does not specify the percentage of voting rights that each proxy or attorney may exercise, the rights are deemed to be 50% each. Fractions of votes will be disregarded.

4.2 Voting by proxies

Shareholders should consider directing their proxy as to how to vote on each resolution by marking either the "For", "Against" or "Abstain" box when completing their Voting and Proxy Form to ensure that their proxy appointment specifies the way their proxy is to vote on each resolution. In certain circumstances (see above under the heading "Voting exclusion statement applicable to item 1"), a proxy may be prohibited from voting undirected proxies.

Where the Chair is appointed proxy, unless they are restricted from voting on a resolution, they will vote in accordance with the shareholder's directions or, in the absence of a direction, in favour of the Combination Resolution.

The Explanatory Memorandum contains further information on the Myer Independent Directors' recommendation.

Under the *Corporations Act 2001* (Cth) (**Corporations Act**), if the appointment of a proxy specifies the way the proxy is to vote on a particular resolution:

- if the proxy is not the Chair of the Meeting, the proxy need not vote on a poll but if the proxy does so, the proxy must vote as directed (subject to any applicable voting restrictions); and
- if the proxy is the Chair of the Meeting, the proxy must vote on a poll and must vote as directed.

In addition, there are some circumstances where the Chair of the Meeting will be taken to have been appointed as a shareholder's proxy for the purposes of voting on a particular resolution even if the shareholder has not expressly appointed the Chair of the Meeting as their proxy. This will be the case where:

- the appointment of proxy specifies the way the proxy is to vote on a particular resolution;
- the appointed proxy is not the Chair of the Meeting; and
- a poll is called on the resolution, and either of the following applies:
  - the proxy is not recorded as attending the Meeting; or
  - the proxy attends the Meeting but does not vote on the resolution.

4.3 Corporate representatives

In accordance with section 250D of the Corporations Act, any corporate shareholder or proxy may appoint a person to act as its representative.

The representative must complete and submit a formal notice of Appointment of Corporate Representative signed by the corporation and this must be received at vote@linkmarketservices.com.au prior to the Meeting. A copy of that notice can be obtained from the Share Registry by calling +61 1300 820 260 between 9:00am and 5:00pm (Melbourne time) or at linkmarketservices.com.au.

A copy of the signed Appointment of Corporate Representative, or other evidence satisfactory to the Chair of the Meeting, must be produced prior to the Meeting.

5. Shareholder questions

Shareholders may ask or submit questions in relation to the business of the Meeting as set out below.

5.1 Before the Meeting

Shareholders can submit questions before the Meeting:

- **online at:** linkmarketservices.com.au
  To submit your question via this website, you will need to select the "Investor Login" option on the website and log in to your shareholding account using your holding details (you will need to provide your shareholder number and the postcode registered on your holding (or if you are an overseas shareholder, your country details)). Once logged in, you can submit your question by selecting the "Voting" tab and then under the "Actions" heading, select "Ask a Question" and follow the prompts to submit your question.
- **by mail to:**
  Myer Holdings Limited
  c/o Link Market Services
  Locked Bag A14
  Sydney South NSW 1235
- **in person by delivering it to the Myer Registry between 9:00am and 5:00pm Monday to Friday at:**
  Parramatta Square
  Level 22, Tower 6, 10 Darcy Street
  Parramatta NSW 2150
- **by facsimile to:** +61 2 9287 0309

Questions must be received online or by the Myer Registry by 5:00pm (Melbourne time) on 16 January 2025.

5.2 At the Meeting

Shareholders who attend in person will have the opportunity to ask questions at the Meeting.

Shareholders who attend by logging into the online platform at https://meetings.linkgroup.com/MYRGM25, will be able to submit written questions online or ask a question in real time during the Meeting.

Details on how to login to the website are provided in the "Attend the Meeting Online" section above. Once registered, you will be given details on how to submit written questions during the Meeting.

A telephone facility will also be available through the online platform for shareholders (or their proxy, attorney or corporate representative) who prefer to ask questions verbally. To ask questions during the Meeting using the telephone facility, you can select the "Ask a Question" button and select "Go to Web Phone". Type in your name and hit the green call button.

If you plan to ask questions by telephone, you will still need to log into the online platform. For further information, refer to the Virtual Meeting Online Guide lodged by Myer with the ASX.

Annexure B: Summary of Key Transaction Documents

Annexure B: Summary of Key Transaction Documents

1. Share Sale and Implementation Agreement

On 29 October 2024, Myer and Premier entered into the Share Sale and Implementation Agreement (SSIA) pursuant to which Premier has agreed to sell and Myer agreed to buy the entire issued share capital of Just Group Limited in exchange for the Consideration Shares. The Share Sale and Implementation Agreement also contains the terms on which the parties have agreed to implement the Combination, including the In Specie Distribution.

The sale of the shares in Just Group Limited will effectively transfer to Myer the Apparel Brands Business comprising Just Jeans, Jay Jays, Portmans, Dotti and Jacqui E, but not the Peter Alexander or Smiggle businesses which will continue to be owned by Premier.

A summary of the key terms of the Share Sale and Implementation Agreement is set out below.

Parties

The parties to the Share Sale and Implementation Agreement are Premier and Myer.

Conditions

The Combination is conditional on the fulfillment (or, where permitted, waiver) of certain Conditions.

The Conditions that require a positive action or event in order to be satisfied that remain outstanding as at the Last Practicable Date are as follows:

- (Listing Rule 10.1 approval) Myer Shareholders approving the acquisition of Just Group by Myer for the purposes of Listing Rule 10.1.3 by the requisite majority in accordance with the Listing Rules. This Condition cannot be waived;
- (Listing Rule 10.11 approval) Myer Shareholders approving the issuance of the Consideration Shares to Premier for the purposes of Listing Rule 10.11.2 by the requisite majority in accordance with the Listing Rules;
- (Section 256C approval) Premier Shareholders approving the equal capital reduction of Premier's share capital by the requisite majority in accordance with the Corporations Act. This Condition cannot be waived;
- (Ancillary documents) Myer and Premier execute the TSAs, Separation Deed and Website Agreement on terms substantially consistent with the agreed term sheets; and
- (Pre-Completion Restructure) Premier confirming to Myer in writing that the Pre-Completion Restructure will be completed with effect on and from 12:01am on the Completion Date.

The end date for the satisfaction (or, where permitted, waiver) of the Conditions is 30 June 2025 (or such other date as Premier and Myer may agree).

Consideration

Myer will acquire 100% of the issued share capital of Just Group Limited in exchange for the issue of the Consideration Shares to Premier. The Consideration Shares comprise 890,500,000 Myer Shares.

Completion

Subject to the satisfaction (or, where permitted, waiver) of all Conditions, Completion is expected to occur on 26 January 2025 (or such other date as Premier and Myer may agree).

In Specie Distribution

Premier must ensure that the Consideration Shares are transferred to Premier Shareholders within eight Business Days of the Completion Date (or such later time as permitted by ASIC).

Premier has agreed not to exercise the votes attaching to (or control or influence the exercise of the votes attaching to) the Consideration Shares.

The parties acknowledge and agree that Premier has absolute discretion to appoint the sale agent and to determine eligibility to participate in the In Specie Distribution.

Pre-Completion Dividend

If all of the Conditions have been satisfied or waived (other than the Listing Rule 10.1 approval, Listing Rule 10.11 approval and section 256C approval detailed above), no later than 12:00pm on 20 January 2025, Myer must declare the Pre-Completion Dividend, being a fully franked dividend equal to $0.025 per Myer Share provided that the payment of such dividend:

- is declared and paid in compliance with all applicable Tax Law and the Corporations Act;
- is a 'frankable distribution' as defined in section 202-40 of the *Income Tax Assessment Act 1997* (Cth);
- would not cause a franking deficit in the franking account of any Myer Group Member;
- does not cause any Myer Group Member to breach the benchmark rule (as defined in section 995-1 of the *Income Tax Assessment Act 1997* (Cth);
- does not cause any Myer Group Member to be liable to pay any franking deficit tax or an amount by reference to franking deficit tax; and
- does not cause the share capital account of any Myer Group Member to be tainted.

The record date for the Pre-Completion Dividend must be no later than 7:00pm the first Business Day following Completion (or such other time and date agreed between Myer and Premier).

Myer must not withdraw (unless any of the Listing Rule 10.1 approval, Listing Rule 10.11 approval or section 256C approval detailed above are not obtained), defer payment of or reduce the amount of the Pre-Completion Dividend.

Pre-Completion Conduct Obligations

The SSIA imposes obligations on each party to procure that, subject to customary exceptions, its business is conducted in the ordinary course of business in the period between signing and Completion (the **Pre-Completion Conduct Obligations**).

Myer and Premier have agreed to establish a joint transition committee comprising certain senior representatives of Myer and Premier to, among other things, report on the performance of the Apparel Brands Business and Myer Business (provided that neither Myer nor Premier is required to disclose any financial information in respect of their business) and discuss and plan implementation of the Combination in accordance with the SSIA.

Contracts

Myer and Premier have identified certain contracts and store leases of the Just Group which contain change of control provisions and/or unilateral termination rights which may be triggered by Completion. Premier is required to use best endeavours to obtain such consents in the period from 29 October 2024 to 30 June 2025. A failure to obtain such consent does not constitute a breach of the SSIA by Premier.

Intercompany balances

Prior to Completion, Premier must procure that payments are made to ensure that the payment or extinguishment in full of all outstanding loan balances between a Just Group Member and any other Premier Group Member.

Tax Consolidated Group

Prior to Completion, Premier is required to procure the release (and associated exit payment) of Just Group and each of its subsidiaries from Premier's tax consolidated group.

Warranties and indemnities

Each party has given certain warranties in favour of the other, including in respect of title and capacity, compliance with laws, and disclosure. Premier has given Myer certain limited warranties in relation to tax, employees, leases, material contracts matters.

Myer and Premier have agreed:

- to indemnify one another and their respective related bodies corporate against any claim or loss incurred as a result of a breach by the other party of confidentiality obligations under the SSIA; and
- that Premier indemnifies Myer against any loss suffered by Myer in respect of certain foreign resident capital gains tax withholding issues.

Limitation of liability

Each party's sole and exclusive recourse against the other in respect of any claim for a breach of warranty or the Pre-Completion Conduct Obligations is to terminate the SSIA (see 'Termination' below) and irrevocably and unconditionally waive and release the other from all loss suffered or incurred as a result of any such warranty claim, except in the case of fraud or wilful or intentional default.

The warranties provided by each party are subject to certain limitations, including disclosure. The SSIA does not restrict Myer or Premier from seeking specific performance from Premier or Myer (as applicable).

Independent Directors' recommendation

Myer

Myer must use its best endeavours to procure that the Myer Independent Directors unanimously recommend that Myer Shareholders vote in favour of the Combination Resolution, subject to the Independent Expert concluding in the Independent Expert Report that the Combination is either fair and reasonable, or not fair, but reasonable to Non-Associated Myer Shareholders.

Myer must use its best endeavours to procure that the Myer Independent Directors do not adversely change, withdraw, adversely modify or adversely qualify their recommendation of the Combination and their intention to vote, or cause to be voted, all Myer Shares that they hold or control in favour of the Combination Resolution, unless:

- the Independent Expert concludes in the Independent Expert Report (either in its initial report or any subsequent update of its report) that the Combination is neither fair nor reasonable;
- a court, ASIC, or the Takeovers Panel requires that the relevant Myer Independent Director change, withdraw, qualify or modify, or abstain from making, their recommendation or their voting intention; or
- that Myer Independent Director has determined, after receiving written legal advice from independent senior counsel, that the Myer Independent Director, by virtue of their relevant directors' duties, is required to change, withdraw, qualify or modify, or abstain from making their recommendation or their voting intention.

Premier

Premier must use its best endeavours to procure that the Premier Independent Directors unanimously recommend that Premier Shareholders vote in favour of the transaction.

Premier must use its best endeavours to procure that the Premier Independent Directors do not adversely change, withdraw, adversely modify or adversely qualify their recommendation of the transaction and their intention to vote their Premier Shares in favour of the transaction, unless:

- a court, ASIC, or the Takeovers Panel requires that the relevant Premier Independent Director change, withdraw, qualify or modify, or abstain from making, their recommendation or their voting intention; or
- that Premier Independent Director has determined, after receiving written legal advice from independent senior counsel, that the Premier Independent Director, by virtue of their relevant directors' duties, is required to change, withdraw, qualify or modify, or abstain from making their recommendation or their voting intention.

Termination

Premier may terminate the SSIA at any time before Completion with immediate effect by notice in writing to Myer if:

- a Condition is unable to be satisfied (or, where permitted, waived) by 30 June 2025;
- an insolvency event occurs in respect of Myer;
- Myer is in material breach of any warranty given by Myer that is material in the context of the transaction taken as a whole, and that breach is either incapable of remedy or Myer has failed to remedy that breach to Premier's satisfaction (acting reasonably) within 14 days after a request by Premier to remedy the breach; or
- Myer breaches any Pre-Completion Conduct Obligation in any material respect and that breach is either incapable of remedy or Myer has failed to remedy that breach to Premier's satisfaction (acting reasonably) within 14 days after a request by Premier to remedy the breach.

Myer may terminate the SSIA at any time before Completion with immediate effect by notice in writing to Premier if:

- a Condition is unable to be satisfied (or, where permitted, waived) by 30 June 2025;
- an insolvency event occurs in respect of Premier;
- Premier is in material breach of any warranty given by Premier that is material in the context of the transaction taken as a whole, and that breach is either incapable of remedy or Premier has failed to remedy that breach to Myer's satisfaction (acting reasonably) within 14 days after a request by Myer to remedy the breach; or
- Premier breaches any Pre-Completion Conduct Obligation in any material respect and that breach is either incapable of remedy or Premier has failed to remedy that breach to Myer's satisfaction (acting reasonably) within 14 days after a request by Myer to remedy the breach.

2. TSA

As a Condition under the SSIA, Premier and Myer have agreed to enter into Transitional Services Agreements to govern:

- the provision of transitional services by the Premier Group to the Just Group after Completion (the **Just Group TSA**); and
- the provision of transitional services by the Just Group to the Premier Group after Completion (the **Myer TSA**),

(together, the **Transitional Services Agreements**).

A summary of the key terms of each Transitional Services Agreement is set out below. Other than in respect of the nature and scope of services provided and any corresponding adjustments, the terms applicable to each Transitional Service Agreement are substantively aligned.

Item	Description
Parties	The parties to each Transitional Service Agreement will be Just Group and Premier Retail Services Pty Ltd, a wholly owned subsidiary of Premier.
Scope of Services	Under the Just Group TSA, the Services comprise the following sub-functions: IT services, eCommerce and marketing services, finance services, people and culture services, retail operations services specific to safety, wellbeing and scheduling, ancillary corporate offcharge services (e.g. Head Office occupancy costs), supply chain and distribution services (incorporating store and online warehousing, picking, and packing), procurement services and New Zealand support office services. The provision of management services is included as part of each sub-function. Under the Myer TSA, the Services comprise the following sub-functions: property management service and management services from the retail operations GM.
Service term	The Services will be provided for an initial term of 12 months, with an option to extend each category for a further period which is a minimum of 6 months and up to 12 months (subject to providing 3 month's prior written notice and the extension of any interdependencies with other services, such interdependencies to be determined in good faith by the service provider at the time). The service provider is not required to provide any Service beyond the initial 12-month term if it ceases to provide or procure equivalent services for its own business, or such Service ceases in connection with any proposed demerger of Peter Alexander or Smiggle.

Item	Description
Service level	The service provider must use its best endeavours to provide the Services to the same overall standard, availability and volumes as any similar service was provided to (in the case of a third-party service) or within the service provider's own corporate group in the 12 months prior to Completion under the Share Sale and Implementation Agreement.
Service fees	The Services (including the fixed costs for the supply chain and distribution centre services, based on unit caps) will be charged based on an agreed FY24 shared services allocation during the initial 12-month term. Transport costs associated with the distribution centre services will be charged on a pass through basis. If the fixed costs for the distribution centres exceed the agreed upon unit caps, then each unit above a cap will be charged on a rate per unit basis (set by reference to the unit rate charge in FY24). If an extension is agreed, each of the service fees will be calculated on a cost plus 10% basis.
Termination	The recipient of the Services may terminate a service term for convenience on three months' prior written notice, subject to termination of any interdependencies with other services. Furthermore, the parties have general termination rights under the Transitional Services Agreements in circumstances where there is a material breach of the Transitional Service Agreement that has not been remedied within the agreed period or is incapable of remedy, or an insolvency event occurs in respect of a party.
Liability	Subject to certain exclusions (e.g. fraud, wilful misconduct, personal injury, death) and exceptions (e.g. third-party services), each party's liability under the Transitional Service Agreement is limited to the aggregate of the estimated service fees under the Transitional Service Agreement for the initial 12-month term. Claims must be notified within a period of 12 months following the term of the Transitional Service Agreement and subsequently the dispute or corresponding proceedings initiated within a further 6 months, or such claims are otherwise excluded. A claim cannot be brought which is less than 1% of the applicable liability cap.
Privacy and data	Each party must comply with the reasonable directions of other party in respect of the access to, security of and use of the other party's IT systems. Each party must comply with all applicable privacy laws in respect of personal information they collect or receive. The service provider's responsibility in respect of the loss, destruction, corruption or alteration of any data held by it as a result of providing any Service will be to use its reasonable endeavours to restore the data to the last available back-up.
Relief from providing Services	The service provider is relieved from providing the services to the recipient in limited circumstances, such as where the recipient has failed to comply with its obligations under a Transitional Service Agreement (only to the extent such failure affects the provision of services), because a necessary third-party consent has not been obtained or due to a systems or power outage, computer virus or data incident (which is not due to the service provider's own acts or omissions).

3. Website Agreement

As a Condition under the SSIA, Premier and Myer have agreed to enter into a website agreement (the **Website Agreement**) to document the terms on which Peter Alexander and Smiggle will, for a transitional period following Completion, remain on the Just Group's multi-brand website.

A summary of the key terms of the Website Agreement is set out below.

Item	Description
Parties	The parties to the website agreement will be Just Group Limited, Smiggle Pty Ltd and Peter Alexander Sleepwear Pty Ltd.
Term	The Website Agreement will commence on Completion and end on the date new websites, separate to the Just Group multi-brand website, are created for Smiggle and Peter Alexander, which are fully functional as determined in good faith by Smiggle and Peter Alexander respectively. The term of the Website Agreement is referred to as the **Transitional Period**.
Right to remain on website	During the Transitional Period, Smiggle and Peter Alexander will remain on and conduct their respective businesses on the Just Group multi-brand website.
Right to access, use and control content	During the Transitional Period, Smiggle and Peter Alexander will have conditional rights to access, use, control and direct alterations of content on the Just Group multi-brand website in relation to their respective businesses.
Product promotion	Smiggle, Peter Alexander and Just Group will each be responsible for the timing and content of promotion of their respective products on the Just Group multi-brand website during the Transitional Period.
Sale and supply of products on website	Just Group will, during the Transitional Period, be the seller of record of all products sold on the Just Group multi-brand website. It will process returns, refunds or exchanges of all products sold on that website. That is subject to the following terms: • Smiggle and Peter Alexander will be liable and indemnify Just Group for the promotion, sale, supply and order fulfilment of their respective products sold on the Just Group multi-brand website, and the corresponding content or data handling on the Just Group multi-brand website. • Just Group will be liable and indemnify Smiggle and Peter Alexander for the promotion, sale, supply and order fulfilment of the Apparel Brand products sold on the Just Group multi-brand website, and the corresponding content on the Just Group multi-brand website.
Allocation of revenue	Revenue derived from sale of products on Just Group multi-brand website will be collected in a Just Group-owned bank account. Revenue relating to the sale of Smiggle and Peter Alexander products will be collected by Just Group and will be paid promptly to Smiggle and Peter Alexander, respectively, based on the calculated percentage of products sold by Smiggle and Peter Alexander.

Item	Description
Allocation of website costs	Costs of the Just Group multi-brand website will be allocated in accordance with existing processes whereby: (i) directly traceable costs (e.g. distribution centre pick costs) to the particular entity are 100% charged to the entity; and (ii) non-directly traceable costs (e.g. merchant fees) are charged to the entity based on the calculated percentage of brand products sold by that entity on the website.
End of Term	At the end of the Transitional Period, the Just Group multi-brand website will have content relating to Smiggle and Peter Alexander removed. There will be separate websites created in respect of Australia and New Zealand for: (i) Smiggle; and (ii) Peter Alexander. Data will be retained in the existing joint database, with access controls implemented to ensure security of and separation of customer data across the new websites.
Limitation of liability	Subject to certain exceptions, the maximum liability for claims under or in connection with the Website Agreement is $10 million for Just Group, and $10 million collectively for Smiggle and Peter Alexander. Just Group will not have any liability to Smiggle or Peter Alexander where that liability directly or indirectly results from Premier Retail Services Pty Ltd's performance (or non-performance) of transitional services under the Just Group TSA or other activities under the Separation Deed. Where a claim under the Website Agreement also arises under the Just Group TSA, then that claim must be brought under the Just Group TSA.

4. Summary of the Separation Deed

As a Condition under the SSIA, Premier and Myer have agreed to enter into a separation deed (the **Separation Deed**) to document:

- the transfer of certain assets and liabilities between the Premier Group and the Just Group;
- the allocation of shared assets between the Premier Group and the Just Group;
- the setting of the level of cash which must be retained inside the Just Group as at Completion (i.e. $82 million); and
- the allocation of historical and future risk and liability between the Premier Group and the Just Group in respect of certain matters.

Annexure B: Summary of Key Transaction Documents

A summary of the key terms of the Separation Deed is set out below.

Item	Description
Parties	The parties to the Separation Deed will be Just Group Limited and Premier Retail Holdings Pty Ltd (ACN 682 194 805) (a wholly owned subsidiary of Premier that will be the holding company of Peter Alexander and Smiggle following the Pre-Completion Restructure) (**Premier NewCo**). Myer is also a party to the Separation Deed for the purposes of the tax-related provisions (see 'Tax' below).
Separation principle	Subject to certain exceptions, the fundamental underlying principle of the Separation Deed is that: • the Premier Group will have the entire economic and commercial benefit, risk and liabilities of the Premier Group and the Peter Alexander and Smiggle businesses for the period before and after the Effective Time; • the Premier Group will have the entire economic and commercial benefit of the Just Group and the Apparel Brands Business for the period before the Effective Time; • except as expressly set out in the Share Sale and Implementation Agreement to the contrary, the Just Group will have all of the risk and liabilities of the Just Group and the Apparel Brands Business for the period before the Effective Time; and • the Just Group will have all of the economic and commercial benefit, risk and liabilities of the Just Group and the Apparel Brands Business for the period after the Effective Time. Premier NewCo must ensure, and must procure Premier Group to ensure, that the allocation of assets under the Pre-Completion Restructure, the Share Sale and Implementation Agreement and the Separation Deed is implemented in a way such that, immediately following Completion: • the assets that the Just Group will own or have the right to use; • the persons employed or engaged by the Just Group; and • the services to be provided by the Premier Group to the Just Group under the Just Group TSA, will, taken together, be, in all material respects, all of the assets that are necessary to conduct the Apparel Brands Business as carried on by the Premier Group at the date of the Separation Deed.
Assets	The parties agree that, subject to obtaining any necessary third-party consents (such as for leases or transferring contracts), the assets held by a Premier Group Member which exclusively relate to the Apparel Brands Business and are required to operate the Apparel Brands Business on and from Completion, are transferred to the Just Group on or prior to the Effective Time. Reciprocal obligations apply in respect of any assets held by the Just Group which exclusively relate to the Peter Alexander or Smiggle businesses. The Separation Deed also contains arrangements in relation to the allocation of shared assets and shared liabilities as well as any assets identified as being in the 'wrong pocket' of a party. The relevant transfers under the Separation Deed may be supported by ancillary and mechanical documents (such as the IP Assignment Deed).

Item	Description
Completion cash	Just Group will hold $82 million in cash as at the Effective Time. To the extent that the Just Group does not, in aggregate, hold this amount of cash as at the Effective Time, Premier NewCo must, as soon as reasonably practicable after the Completion Date, provide any shortfall amount to the Just Group.
Employees	The Premier Group assumes responsibility for all liabilities (including redundancies) relating to the employment of a 'Premier Employee', whether before or after Completion. A 'Premier Employee' means: • any person who was an employee of the Just Group and is transferred to the Premier Group as part of the Combination; • any person who worked exclusively for Smiggle or Peter Alexander and is no longer employed by the Just Group; and • any other person who was or is employed by the Premier Group prior to or after Completion. The Just Group assumes responsibility for all liabilities (including redundancies) relating to the employment of an Apparel Brands Employee, whether before or after Completion. An 'Apparel Brands Employee' means any person who is or was employed by Just Group or a subsidiary of Just Group prior to or after Completion, other than a Premier Employee. The Separation Deed contains a process to transfer the relevant employees from the Premier Group to the Just Group (and vice versa) and provisions in relation to the recognition of transferring employee rights and entitlements. Employees in the New Zealand jurisdiction will be dealt with in a similar manner under the Separation Deed and asset sale agreements for NZ, as appropriate.
Contracts	The Separation Deed includes a process whereby certain contracts currently in the name of the Just Group are novated or assigned to a Premier Group Member (and vice versa, if any). If the novation or assignment of a contract requires third-party consent and such consent is not obtained, then the transferor must hold the benefit of the relevant contract on trust for the transferee and the transferee must perform and be responsible for the contract from the Effective Time under the termination or expiry of the relevant contract.
Leases	The Separation Deed contains provisions in relation to the assignment from the Just Group to the Premier Group of certain Smiggle and Peter Alexander store leases in New Zealand and leases related to certain distribution centres in Australia and New Zealand. Premier NewCo indemnifies the Just Group against all liabilities and claims arising from or otherwise relating to these lease assignments.
Financial support	To the extent the Premier Group provides any guarantees, security or other financial support in respect of the operations of the Just Group or the Apparel Brands Business which are unreleased as at the Effective Time, the Just Group indemnifies the Premier Group against any liabilities until such time as the relevant financial support lapses, is terminated or the guarantor is replaced. Reciprocal obligations apply in respect of any guarantees, security or other financial support provided by Just Group in respect of the operations of the Premier Group or the Peter Alexander or Smiggle businesses.

Item	Description
New Zealand separation	Asset sale agreements will be entered into to document the transfer of certain assets in New Zealand from the Just Group to the Premier Group that are not otherwise dealt with in the Separation Deed, including fixed assets, inventory, intellectual property, business records and customer data.
Tax	Premier NewCo indemnifies Myer directly against any tax that any member of the Myer Group (including the Just Group) becomes liable to pay in respect of any act prior to the Effective Time or any period, or part period prior to the Effective Time, that results or arises from the Pre-Completion Restructure. Premier NewCo will have the control over any audit, investigation or review by any government agency of a Myer Group Member (including the Just Group) in respect of tax-matters associated with the Pre-Completion Restructure.
Limitation of liability	Subject to certain exceptions, each party's maximum aggregate liability for all claims under or in connection with the Separation Deed is $60 million. Among other considerations, any single claim (or a series of claims arising from a connected event) must exceed $300,000, otherwise a party is not liable for that claim(s).

Annexure C: Independent Expert Report

Annexure C: Independent Expert Report

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Myer Independent Directors
Myer Holdings Limited
Level 7
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13 December 2024

Dear Myer Independent Directors

Part One – Independent Expert's Report

1 Introduction

On 29 October 2024, Myer Holdings Limited (**Myer**) announced that it had entered into a binding Share Sale and Implementation Agreement with Premier Investments Limited (**Premier**) for a combination of Myer and Premier's Apparel Brands (consisting of Just Jeans, Jay Jays, Portmans, Dotti and Jacqui E) (the **Combination**).

Under the Share Sale and Implementation Agreement, Myer will issue 890.5 million new, fully paid ordinary shares in Myer (**Consideration Shares**) to Premier in consideration for the acquisition of Just Group Limited (**Just Group**) which will retain $82 million of cash. Prior to completion of the sale and purchase of Just Group (**Completion**), Premier will complete an internal corporate restructure (**Pre-Completion Restructure**) with Just Group such that it only owns the Apparel Brands business.

Following issuance of the Consideration Shares, existing Myer shareholders (**Myer Shareholders**) (including Premier's existing shareholding) will hold 48.5% of issued capital in Myer.

In addition, the Myer Board intends to declare before Completion a fully franked dividend of 2.5 cents per share to existing Myer Shareholders (**Pre-Completion Dividend**), provided all the conditions to the Combination have been satisfied or waived.[1] A fully franked dividend of 2.5 cents per Myer Share would have approximately 1.1 cents per Myer Share of franking credits attached.

Premier currently has a 31.2% interest in Myer shares (**Myer Shares**). Century Plaza Investments and its associates (**Century Plaza Group**) is Premier's largest shareholder and the private investment vehicle of Premier's Chairman, Mr Solomon Lew. As a result of Century Plaza Group's 40.2% interest in the shares in Premier (**Premier Shares**), it has a deemed relevant interest in Myer of 31.2%.

In return for the sale of Apparel Brands (including retained cash of $82 million), Premier will receive 51.5% of the issued capital in Myer. Shortly after Completion, Premier will distribute the Consideration Shares and its existing 31.2% shareholding in Myer to Premier shareholders (**Premier Shareholders**) on a pro rata

[1] If the Combination does not Complete (including as a result of Myer Shareholders not approving the Combination Resolution), Myer Shareholders will not receive the Pre-Completion Dividend. In this event, the Myer Board expects to declare an ordinary course interim dividend in FY25, however, no guarantee can be given about future dividends, as these matters will depend on future profits of Myer, its financial and taxation position and the Myer Directors' view of the appropriate payout ratio at the time. As such, any interim dividend declared in FY25 may differ from the Pre-Completion Dividend amount of 2.5 cents per Myer Share.

basis (**In Specie Distribution**). As a result, Premier will no longer hold Myer Shares and Premier Shareholders will be shareholders in Myer directly.

Following the In Specie Distribution, it is expected that Century Plaza Group will become Myer's largest shareholder with pro forma ownership of 26.8%, which is below its current deemed relevant interest in Myer of 31.2%.

Myer operates a national network of 56 department stores and eight specialty stores. Its department stores retail a broad range of products across clothing and accessories, homewares, electrical, and cosmetics and fragrances. Myer also sells these products via an online shopping platform. Myer operates a loyalty program, MYER one, which has over 10 million members. As at market close on 21 June 2024, the last undisturbed trading day immediately prior to the announcement of Myer's non-binding proposal to explore a potential combination of Myer and Premier's Apparel Brands business on 24 June 2024, Myer had a market capitalisation of approximately $536.5 million.[2]

Premier is an Australian public company listed on the ASX which operates a number of specialty retail fashion chains within the specialty retail fashion markets in Australia, New Zealand, Asia and Europe. It also holds a number of strategic investments in leading Australian companies. In 2008, Premier acquired a controlling interest in Just Group, a specialty fashion retailer with operations in Australia, New Zealand, Asia and Europe, through a portfolio of brands including Peter Alexander and Smiggle as well as Apparel Brands, which includes Just Jeans, Jay Jays, Jacqui E, Dotti and Portmans. Premier holds a 25.4% interest in Breville Group Limited and a 31.2% interest in Myer. It employs over 10,000 people, with 1,163 physical stores across six countries as at July 2024, as well as through wholesale and online.

The Combination is subject to Myer Shareholder approval of the resolution to approve the Combination (**Combination Resolution**) pursuant to ASX Listing Rule 10.1 and ASX Listing Rule 10.11 at the extraordinary general meeting of Myer Shareholders (**Meeting**) to be held at 9:00am on 23 January 2025, Premier shareholder approval pursuant to Section 256C of the Corporations Act 2001 (Cth) (**Corporations Act**) and the satisfaction of a number of other conditions precedent. The Combination Resolution must be passed by an ordinary resolution (i.e. more than 50% of votes cast in favour) of Myer Shareholders other than Premier (**Non-Associated Myer Shareholders**). Further details in relation to the Combination and the conditions precedent are outlined in Section 5 of this report.

In order to assist Non-Associated Myer Shareholders in assessing the Combination and informing their vote on the Combination Resolution, the Myer Independent Directors have appointed Kroll Australia Pty Ltd (**Kroll**), to prepare an independent expert's report setting out whether, in our opinion, the Combination is fair and reasonable to Non-Associated Myer Shareholders. Our report will be included in the Explanatory Memorandum to be sent to Myer Shareholders.

Further information regarding Kroll, as it pertains to the preparation of this report, is set out in Appendix 1 of this report.

Kroll's Financial Services Guide is contained in Part Two of this report.

2 Scope of report

The Combination involves the issue of the Consideration Shares to Premier and, ultimately, to Premier Shareholders in exchange for the acquisition of Premier's Just Group. Premier and Myer are related parties as a result of Premier's 31.2% relevant interest in Myer and as the parties have a common Director.

A notice of meeting to approve a transaction under Listing Rule 10.1 must include an independent expert's report. The report must state the expert's opinion as to whether the transaction is fair and reasonable to non-associated shareholders, in the absence of a superior proposal.

In undertaking our work, we have referred to guidance provided by the Australian Securities and Investments Commission (**ASIC**) in its Regulatory Guides, in particular, Regulatory Guide 111 'Content of

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[2] Calculated as the closing price of Myer Shares on 21 June 2024 of $0.645, multiplied by 831,826,281 quoted Myer Shares outstanding as at 21 June 2024 as per ASX announcement Appendix 3H dated 21 June 2024.

expert reports' (**RG 111**), which outlines the principles and matters which it expects a person preparing an independent expert report to consider and Regulatory Guide 112 'Independence of experts' (**RG 112**).

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 6 of this report.

3 Opinion

3.1 Background

Myer has a strong brand having been established in 1900. It operates a leading loyalty program with 10.4 million members as at 27 July 2024 and has made significant investment in its eCommerce platform, with online sales representing 21.6% of total sales in FY24. It also operates a network of 56 department stores, eight specialty retail stores and four distribution centres nationally.

Since FY21, Myer has benefited from a return to in-store shopping following the COVID-19 pandemic as foot traffic has increased in major shopping centres. Myer's FY23 results included its highest sales since 2005. However, it has subsequently faced several macroeconomic challenges that have impacted its performance, including a slowdown in consumer spending due to rising interest rates, elevated inflation and higher costs of living, which have reduced sales since Q4 FY23, as well as labour shortages and associated wage pressures, rising cost of goods and supply chain issues, which have increased operating expenses and impacted profit margins.

Myer operates in an extremely competitive industry whereby global fast-fashion competitors (such as Zara and H&M) and eCommerce platforms are gaining an increasing foothold in the Australian apparel market. Myer sought to boost growth in its specialty brands though the acquisition of a 65% interest in sass & bide in February 2011 and Marcs and David Lawrence in May 2017. The remaining 35% interest in sass & bide was acquired in October 2013. In FY24, however, Myer generated an Underlying EBIT margin of only 3.1%,[3] well below the average for the Australian retail sector of 11.0%.[4] Myer attributed approximately half of its FY24 NPAT decline to its specialty brands. On 14 March 2024, Myer announced a potential sale of its specialty brands.

In June 2024, Myer announced the Strategic Review, the preliminary objectives of which were advised to the market at the FY24 results announcement on 20 September 2024. These objectives included a need for Myer to leverage the MYER one loyalty program, focus more on women's apparel, appeal to a younger demographic, grow Myer Exclusive Brands particularly in womenswear and beauty categories and focus on cost control, particularly in promotional spending, inventory management and supply chain management. As a result, Myer advised that it would not be selling the Myer specialty brands.

In order to execute on this plan, Myer considers that it needs to have further scale in its apparel business. To achieve this scale, Myer needs to either build this capability in-house, or acquire this capability through acquisition. It would likely take significant time to develop this capability internally and Myer would need to overcome the difficulty and complexity required to replicate the know-how and expertise required to build a successful apparel business.

Premier is an investor in a range of brands, including Apparel Brands, which contains five specialty apparel brands catering to a broad customer demographic, including women and youth. Apparel Brand's strength lies in its apparel skills and know-how developed over decades, from design, to sourcing and logistics.

Premier has demonstrated an ability to improve the performance of an apparel business. Following the acquisition of Just Group, the owner of Apparel Brands in August 2008, Premier adopted a turnaround strategy in FY11 which involved rejuvenating and reinvigorating all five Apparel Brands, initiating a cost efficiency program, expanding gross margin, growing the internet business and expanding Peter Alexander

[3] Myer's Underlying EBIT margin has been calculated as Underlying EBIT (pre-AASB 16) divided by revenue from sale of goods excluding concession sales, which is consistent with the reporting for the peers.

[4] Includes Harvey Norman Holdings Limited, Super Retail Group Limited, Accent Group Limited, KMD Brands Limited, Hallenstein Glasson Holdings Limited, JB Hi-Fi Limited, Nick Scali Limited Universal Store Holdings Limited, and Adairs Limited.

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and Smiggle into new markets. The strategy enabled Premier to increase its Retail Segment EBIT margin[5] from 7.5%[6] in FY11 to 22.4%[7] in FY22, before declining to 20.4% in FY24 in challenging macroeconomic conditions. Apparel Brands' significant in-house expertise has enabled it to generate an EBIT margin of 9.7% in FY24,[8] well above Myer's FY24 Underlying EBIT margin of 3.1%.[9]

Prior to Myer and Premier entering into discussions as to a potential combination, Premier was contemplating a separation of its faster growing Smiggle and Peter Alexander brands from the slower growing Apparel Brands business.

It is in this context that Kroll has evaluated the Combination, recognising the environment in which Myer currently is operating, the preliminary objectives of its Strategic Review and the business' capability of achieving these objectives in a timely manner in comparison to the benefits and risks associated with the Combination.

3.2 Summary of opinion

In our opinion, the Combination is fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Combination is:

- **fair**, by comparing:
  - the fair value of Apparel Brands (including retained cash) on a controlling interest basis with the fair value of the 890.5 million Consideration Shares being offered (excluding the Pre-Completion Dividend of 2.5 cents per share since Premier Shareholders will not be entitled to this). This test is in accordance with ASIC's guidance in relation to 'control transactions', and essentially determines whether the amount that Myer is paying for Apparel Brands is appropriate; and
  - the fair value of Myer Shares on a stand-alone, minority basis (noting that there is no change of control of Myer[10]) with the fair value of shares in the Combined Myer Group on a minority basis (including combination benefits and the Pre-Completion Dividend of 2.5 cents per share to which Myer Shareholders are entitled). This test essentially assesses whether Non-Associated Myer Shareholders are better off if the Combination is implemented than if it is not.
- **reasonable**, by assessing the implications of the Combination for Non-Associated Myer Shareholders, the alternatives to the Combination that are available to Myer, and the consequences for Non-Associated Myer Shareholders of not approving the Combination.

Kroll has assessed the Combination to be fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal.

Fairness

Kroll has assessed the value of Apparel Brands (including retained cash) on a controlling interest basis to be in the range of $848.3 to $946.3 million. The value of the Consideration Shares has been valued in the range of $823.7 million to $1,064.1 million on a minority interest basis, excluding the Pre-Completion Dividend. As the value of the Consideration Shares overlaps with our assessed value range of Apparel Brands (including retained cash), **the Combination is fair to Non-Associated Myer Shareholders.**

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5 Pre-AASB 16.
6 Before one-off costs.
7 Before one-off costs and significant items.
8 Apparel Brands' EBIT margin is calculated on a pre-AASB 16 basis.
9 Myer's Underlying EBIT margin has been calculated as Underlying EBIT (pre-AASB 16) divided by revenue from sale of goods excluding concession sales, which is consistent with the reporting for the peers. It is calculated on a pre-AASB 16 basis.
10 Premier will distribute its existing Myer Shares and the Consideration Shares to Premier Shareholders via an In Specie Distribution. Following the In Specie Distribution, it is expected that Century Plaza Group will become Myer's largest shareholder with pro forma ownership of 26.8%, which is below its current deemed relevant interest in Myer of 31.2%.

In addition, Kroll has considered whether Non-Associated Myer Shareholders are better off if the Combination is implemented than if it is not. In order to assess this, Kroll has compared the value of Myer Shares on a stand-alone, minority basis of $0.62 to $0.71 with the value of Combined Myer Group Shares on a minority basis, including the Pre-Completion Dividend to which Myer Shareholders are entitled, of $0.95 to $1.22. As the value of a Combined Myer Group Share exceeds the value of a Myer Share on a stand-alone basis, Non-Associated Myer Shareholders will be better off if the Combination proceeds than if it does not. As such, this analysis supports Kroll's opinion that **the Combination is fair to Non-Associated Myer Shareholders.**

Our analysis of the fairness of the Combination is detailed further in Section 3.3 of this report.

Reasonableness

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Combination to be fair, it is also reasonable. Kroll notes, however, that there are a number of advantages of the Combination that are compelling and would support a reasonableness conclusion in their own right.

Myer and Apparel Brands are highly complementary businesses, with Myer's strong brand name, leading loyalty program and significant investment in eCommerce, and Apparel Brands' know-how across design, sourcing and logistics. The strategic benefits of combining Myer and Apparel Brands have been widely recognised by the market, with Myer's share price increasing by 68.7%[11] since the announcement of the Indicative Proposal[12] and Combination.

The key advantages of the Combination are:

- it accelerates the execution of and effectively de-risks large parts of Myer's strategic priorities as it capitalises on the complementary businesses;
- it is expected to deliver combination benefits of at least $30 million of pre-tax earnings per annum on a run-rate basis in the short to medium term, resulting in earnings per share (**EPS**) accretion;
- Myer Shareholders will receive a fully franked Pre-Completion Dividend of 2.5 cents per Myer Share;
- greater depth of Board and management talent;
- enhanced balance sheet strength and greater capacity to invest across the combined business;
- enhanced liquidity and improved access to capital markets;
- Myer's share price has positively re-rated; and
- in the absence of the Combination, the Myer Share price will likely fall. Myer will continue to pursue its strategic priorities, noting that to build this capability in-house involves significant time and may not be achievable.

Our analysis of the reasonableness of the Combination is detailed further in Section 3.4 of this report.

The decision to approve the Combination is a matter for individual Non-Associated Myer Shareholders based on their views as to value, expectations about future market conditions and their particular circumstance including their investment strategy and portfolio, risk profile and tax position. If in doubt, Myer Shareholders should consult their own professional adviser regarding the action they should take in relation to the Combination.

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[11] From the announcement of the Combination until 12 December 2024, Myer Shares have traded in the range of $0.88 to $1.27, at a VWAP of $1.08, which represents a premium of 68.7% to the one-month VWAP prior to the announcement of the Indicative Proposal of $0.64.

[12] On 24 June 2024, Myer announced that it had approached Premier with a non-binding, indicative and conditional proposal (**Indicative Proposal**).

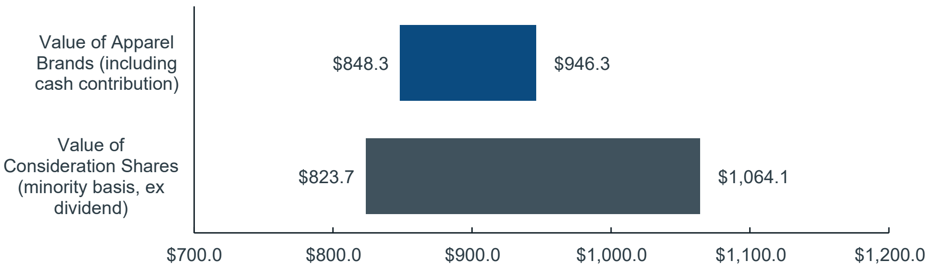
3.3 The Combination is fair

3.3.1 Assessment of fairness

Control transaction analysis

Kroll has compared the assessed value of Apparel Brands (including retained cash) on a controlling interest basis (Section 3.3.2 of this report) with the fair value of the Consideration Shares being offered (Section 3.3.2 of this report). This analysis essentially determines whether Myer Shareholders are paying an equivalent amount to Premier Shareholders for the value they are receiving, or whether they are overpaying or underpaying.

Fairness Assessment – 'Control Transaction' Analysis ($ millions)



Source: Kroll analysis.
Note 1: The value of the Consideration Shares excludes the Pre-Completion Dividend of 2.5 cents per share, since Premier Shareholders will not receive this dividend.

As the value of the Consideration Shares overlaps with our assessed value range of Apparel Brands (including the retained cash), **the Combination is fair to Non-Associated Myer Shareholders.** Kroll notes that Premier Shareholders will also have the potential to utilise Premier' franking credits as a result of the In Specie Distribution.[13] The value of franking credits has not been included in the analysis.

The value of the Consideration Shares will vary with movements in the Myer share price. We consider that the high end of the valuation range for Apparel Brands (including retained cash) represents the relevant threshold for fairness since any consideration amount over this threshold indicates that Myer Shareholders are overpaying for Apparel Brands. As such, given the value range of the Consideration Shares falls below the high end of the value range for Apparel Brands (including retained cash), the Combination is fair and it is irrelevant where in the range the value of Apparel Brands falls.

We have also determined the break-even Myer share price (ex-dividend) at which the Combination is not fair to Non-Associated Myer Shareholders. We note that this analysis has limitations, as to the extent that an increase in the Myer share price reflects a positive re-rating of the sector or movements in the broader sharemarket, this will likely impact the value of both Myer and Apparel Brands equally i.e. it would raise the break-even Myer share price. Notwithstanding this, we note that the break-even Myer share price (ex-dividend) at which the Combination is not fair to Non-Associated Myer Shareholders, in the absence of any sector-wide re-rating, is $1.063, which is equivalent to $1.088 on a cum dividend basis.

The range of values of the Consideration Shares overlaps with and exceeds the range of values for Apparel Brands. This reflects that the value of the Consideration Shares incorporates the complementary nature of Myer and Apparel Brands, including the unique combination benefits that are available. In contrast, Kroll's valuation of Apparel Brands reflects the synergies available to a broader, hypothetical pool of potential acquirers (consistent with the requirements of RG 111). Importantly, both Myer Shareholders and Premier Shareholders will share in the combination benefits in proportion to their overall equity ownership in the

[13] Source: Premier ASX Release, 29 October 2024, "Combination of Premier's Apparel Brands with Myer, Premier to focus on Peter Alexander and Smiggle and their growth opportunities".

Combined Myer Group wherein existing Myer Shareholders will hold 48.5% of the Combined Myer Group Shares.

The range of assessed values for Combined Myer Group Shares is wider than the range of values for Apparel Brands. This reflects the Combined Myer Group's relatively high financial leverage (including lease liabilities) of 67.3% on a pro forma basis as at 27 July 2024, compared to financial leverage of Apparel Brands of 48.9%, as well as the relatively wide range of values ascribed to Myer Shares by the market.

Since the announcement of the Combination on 29 October 2024, Myer Shares' trading prices have increased from a closing price of $0.645 on 21 June 2024 to close in the range of $0.905 to $1.22 (a range of up to 34.3%). This range can likely be attributed to several potential factors, including:

- a period of market adjustment, with investors continuing to digest the implications of the Combination including its strategic rationale, financial impact, and potential long-term benefits. Investors have only had access to Apparel Brands' profit from 29 October 2024;
- limited broker coverage and financial forecasts for the Combined Myer Group;
- the opportunity post-implementation to unlock further combination benefits in addition to those already identified of $30 million (full run-rate, pre-tax) that have been disclosed to the market;
- no forward guidance has been provided for the Combined Myer Group, which may have led to speculative projections that could be overly optimistic; and
- the Combination presents an opportunity for a re-rating of Myer Shares, as the market evaluates the enhanced scale, profitability, and strategic positioning of the Combined Group.

Accordingly, we consider that a wider range is appropriate in relation to the value of the Combined Myer Group Shares. In this respect we have determined a range of $0.925 to $1.195 (ex-dividend) per Myer Share to be appropriate in valuing Combined Myer Group Shares, which is also reasonable having regard to our cross check.

Comparison of the value of Myer Shares with the value of the Combined Myer Group Shares

In addition, Kroll has compared the value of a Myer Share on a stand-alone basis (Section 3.3.2 of this report) with the value of a Combined Myer Group Share (Section 3.3.2 of this report). Both valuations have been performed on a minority interest basis since, as noted, there is no change of control of Myer.[14]

Fairness Assessment – Comparison of Value of Myer Shares with the Value of Combined Myer Group Shares

Source: Kroll analysis.
Note 1: The value of a Combined Myer Group Share is presented cum dividend, since Myer Shareholders will receive the Pre-Completion Dividend of 2.5 cents per share if the Combination is implemented.

As the value of a Combined Myer Group Share exceeds the value of a Myer Share on a stand-alone basis, Non-Associated Myer Shareholders will be better off if the Combination proceeds than if it does not. As

[14] Premier will distribute its existing Myer Shares and the Consideration Shares to Premier Shareholders via an In Specie Distribution. Following the In Specie Distribution, it is expected that Century Plaza Group will become Myer's largest shareholder with pro forma ownership of 26.8%, which is below its current deemed relevant interest in Myer of 31.2%.

such, this analysis supports our opinion that **the Combination is fair to Non-Associated Myer Shareholders.**

The assessed value of a Combined Myer Group Share includes the Pre-Completion Dividend of 2.5 cents per share that Myer Shareholders will receive. The dividend is fully franked and would have approximately 1.1 cents per Myer Share of franking credits attached, however, Kroll has not attributed any value to the franking credits as Myer Shareholders' ability to use them will differ according to their personal circumstances.

3.3.2 Valuations

The following section summarises the valuations of the following:

- Apparel Brands (including the retained cash) on a controlling interest basis;
- Myer Shares on a stand-alone, minority basis; and
- Combined Myer Group Shares on a minority basis, including combination benefits.

Valuation of Apparel Brands

Under the Share Sale and Implementation Agreement, in exchange for the Consideration Shares, Premier will contribute Just Group which will own the Apparel Brands operating business and will retain $82 million of cash. Based on our assessed value of Apparel Brands' operating business of $766.3 million to $864.3 million on a controlling interest basis, the value of Apparel Brand's equity (including the retained cash) is $848.3 million to $946.3 million.

The valuation is summarised as follows:

Apparel Brands Valuation Summary ($ millions)

	Section Reference	Valuation Range Low	Valuation Range High
Maintainable EBIT (pre-AASB 16)	11.4.2	76.6	78.6
Capitalisation multiple (control basis)	11.4.3	10.0	11.0
Value of Apparel Brands' operating business (control basis)		**766.3**	**864.3**
Add: Retained cash[1]		82.0	82.0
Equity value of Apparel Brands (control basis)		**848.3**	**946.3**

Source: Kroll analysis.
Note 1: Retained cash excludes lease liabilities as Kroll's valuation is prepared on a pre-AASB 16 basis.

In assessing a value range for Apparel Brands' operating business, Kroll has adopted a market approach as the primary methodology utilising multiples of EBIT. In assessing an appropriate multiple to apply to Apparel Brands, Kroll considered the multiples implied by recent transactions involving retail category specialists in Australia and New Zealand and internationally, as well as the multiples at which retail category specialists in these regions are trading.

The median control premium for transactions involving retail category specialists is 33.6% (refer to Appendix 6 of this report) and the median control premium for retail company transactions in the period from 2014 to 2024 sourced from Factset is 33.5%. If the equivalent minority discount of 25.1%[15] is applied to the equity value of Apparel Brands (control basis), the implied minority multiple is 7.2 to 8.0 times FY24 EBIT, which is below the trading multiples for all of the Australian retail category specialists Kroll has analysed and well below Premier's pre-Indicative Proposal trading multiple[16] of 10.2 times historical EBIT

[15] Calculated as 1-(1/(1+33.6%)).
[16] Premier's multiple has been calculated by including its proportionate share of EBIT and net borrowings from its investments in Breville and Myer. Share price is as at 21 June 2024, the last trading day before the announcement of the Indicative Proposal.

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(refer to Section 11.3.1 of this report), noting that the S&P/ASX 200 Consumer Discretionary Index has subsequently increased by 12.0%.

Valuation of Myer Shares

Kroll has assessed the value of Myer's equity on a stand-alone, minority basis to be in the range of $520.9 million to $596.5 million, which equates to an underlying value per Myer Share of between $0.62 and $0.71.[17] The value of Myer's equity has been determined by estimating the fair value of Myer's operating business, together with consideration of any surplus assets and liabilities, and net cash (excluding lease liabilities).

The valuation is summarised as follows:

Myer Valuation Summary ($ millions)

	Section Reference	Valuation Range Low	High
Maintainable EBIT (pre-AASB 16)	11.5.2	75.6	75.6
Capitalisation multiple (minority basis)	11.5.3	5.25	6.25
Value of Myer's operating business (minority basis)		**396.9**	**472.5**
Add: estimated net cash[1]	11.5.4	124.0	124.0
Value of Myer equity (minority basis)		**520.9**	**596.5**
Number of Myer Shares outstanding (millions)	8.7	837.6	837.6
Value per Myer Share (minority basis) ($)		**$0.62**	**$0.71**

Source: Kroll analysis.
Note 1: Net cash is an estimate of the monthly average net cash balance for Myer (stand-alone), less transaction costs that will be incurred irrespective of whether the Combination proceeds. It does not deduct the Pre-Completion Dividend of 2.5 cents per share that will only be paid of the Combination is implemented or transaction costs that will only be incurred if the Combination proceeds. The net cash balance excludes lease liabilities since Kroll's valuation is prepared on a pre-AASB 16 basis.

In assessing a value range for Myer's operating business on a stand-alone, minority basis, Kroll has adopted a market approach as the primary methodology utilising multiples of EBIT. In selecting an EBIT multiple for Myer on a stand-alone, minority basis, Kroll has had regard to the multiples at which department store companies and retail category specialists in Australia and New Zealand and internationally are trading, as well as transactions involving department store companies.

Kroll has cross-checked the values derived from our primary valuation methodology by comparing the resulting value per share to trading in Myer Shares prior to the announcement of the Indicative Proposal. Kroll notes that Myer Shares closed at $0.645 on 21 June 2024, the last trading day prior to the announcement of the Indicative Proposal, which is towards the low end of our range of assessed values for Myer Shares on a stand-alone, minority basis of $0.62 to $0.71.

Valuation of Combined Myer Group Shares

Kroll has selected a value range of $0.95 to $1.22 for the Combined Myer Group Shares on a cum dividend, minority basis, which is equivalent to $0.925 to $1.195 on an ex-dividend basis. The following chart illustrates the range of selected values of a Combined Myer Group Share relative to trading in Myer Shares since 1 October 2024.

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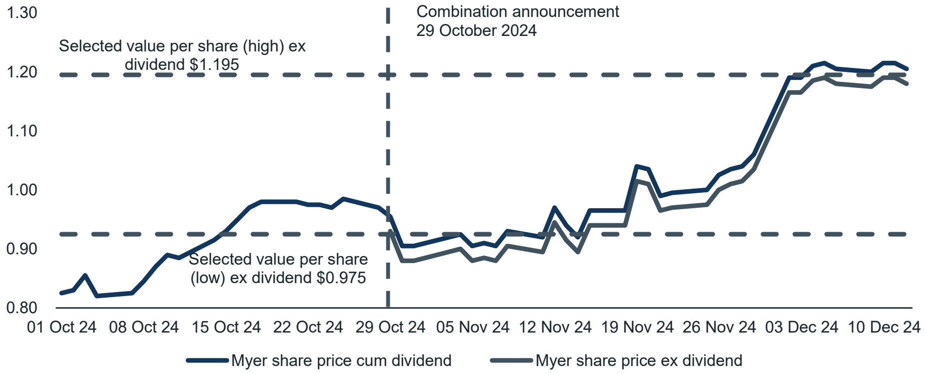
[17] Calculated as our assessed range of value of the equity of Myer divided by the 837,557,023 ordinary shares.

Combined Myer Group Selected Value Range



Source: Capital IQ, Kroll analysis.

Our valuation of the Combined Myer Group Shares is based on trading in Myer Shares since the announcement of the Combination. The selected value range for the Combined Myer Group Shares (ex-dividend) of $0.925 to $1.195 covers most of the trading in Myer Shares since the announcement of the Combination on 29 October 2024, after adjusting for the Pre-Completion Dividend of 2.5 cents per share. The low end of our selected value range is slightly greater than the ex-dividend trading in the first two weeks following the announcement of the Combination, which is appropriate as Australian and New Zealand retailers subsequently traded higher on positive industry news regarding retail sales[18] and consumer sentiment.[19]

On 29 November 2024, a second broker published forecasts for the Combined Myer Group and set a price target of $1.25, consistent with the first broker's price target which was published shortly after the announcement of the Combination. In addition, on 2 December 2024, analyst Angus Aitken suggested that Combined Myer Group Shares could see a long-term price of $3.00 to $4.00.[20] On 2 December 2024, the Myer share price increased by 12.3% to close at $1.19. From then until 12 December 2024, Myer Shares closed in the range of $1.19 to $1.22 ($1.165 to $1.195 ex dividend). The high end of the selected value range is consistent with trading over this period.

Kroll has cross-checked our assessed value of a Combined Myer Group Share by comparing the historical and forecast EBIT multiples implied by our selected value range for the Combined Myer Group Shares to market evidence derived from listed department store companies and retail category specialists and transactions involving department stores.

Refer to Section 11.6 of this report for the valuation of the Combined Myer Group.

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18 On 2 December 2024, the Australian Bureau of Statistics advised that retail sales had increased by 0.6% in October 2024 relative to the prior month, exceeding the forecast of 0.4% and up from 0.1% in September 2024. Source: "Australian retail sales strengthen,", Bloomberg, Share post, AFR, 2 December 2024.

19 The Consumer Sentiment Index increased by 5.3% from October to November.

20 Source: "Myer on track to 'double earnings', The Australian, 2 December 2024.

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3.3.3 Valuation of the Consideration Shares

Under the Share Sale and Implementation Agreement, Myer will issue 890.5 million Consideration Shares to Premier upon Completion. Premier Shareholders will not receive the Pre-Completion Dividend of 2.5 cents per share in relation to the Consideration Shares. Based on a value of the Combined Myer Group Shares (ex-dividend) in the range of $0.925 to $1.195, the value of the Consideration Shares is $823.7 to $1,064.1 million.

Valuation of Consideration Shares ($ millions)

	Section Reference	Consideration Shares	
		Low	High
Value per shares in Combined Myer Group (minority basis)	11.6	$0.925	$1.195
Number of Consideration Shares		890.5	890.5
Value of the Consideration Shares		**$823.7**	**$1,064.1**

Source: Kroll analysis.

The following table illustrates the sensitivity of the implied value of the Consideration Shares to changes in the Myer Share price.

Sensitivity of the Consideration Shares[1] to Changes in the Myer Share Price ($)

Illustrative Myer Share Price (Ex-dividend)	Implied Value of Consideration Shares
$0.775	$690.1
$0.825	$734.7
$0.875	$779.2
$0.925	**$823.7**
$0.975	**$868.2**
$1.025	**$912.8**
$1.075	**$957.3**
$1.125	**$1,001.8**
$1.175	**$1,046.3**
$1.225	$1,090.9
$1.275	$1,135.4
$1.325	$1,179.9

Source: Kroll analysis.
Note 1: Bold text indicates overlap with Kroll's assessed value per share in the Combined Myer Group (minority basis).

3.4 The Combination is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. **As we have assessed the Combination to be fair, it is also reasonable**. Kroll notes, however, that there are a number of advantages of the Combination that are compelling and would support a reasonableness conclusion in their own right.

3.4.1 The Combination accelerates Myer's key strategic priorities

As discussed in Section 8.2 of this report, Myer announced the preliminary objectives of its Strategic Review at the FY24 results announcement on 20 September 2024. These objectives included that Myer needed to focus more on women's apparel, appeal to a younger demographic, leverage the MYER one loyalty program, grow Myer Exclusive Brands particularly in womenswear and beauty categories, enhance floor space productivity and improve in-store experience and focus on cost control, particularly in promotional spending, reducing shrinkage (theft), inventory management and supply chain management.

It would take significant time to build this capability internally and Myer would need to overcome the difficulty and complexity required to replicate the know-how and expertise required to develop a successful apparel business. The Combination accelerates the execution of, and effectively de-risks, these strategic priorities by bringing the know-how Myer requires in design, sourcing and logistics to improve efficiencies and produce a product that is attractive to customers, growing Myer Exclusive Brands with additional brands that focus on Myer's target demographic, as well as the potential to leverage its MYER one loyalty program.

3.4.2 The Combination results in substantial combination benefits

The Combination is expected to result in substantial combination benefits (revenue and cost synergies) which are expected to be realised progressively over time, including.

- **MYER one expansion:** an opportunity to leverage Myer's MYER one loyalty program and eCommerce platform across an enlarged customer base. Myer has a leading loyalty program with 10.4 million members as at 27 July 2024. The value created by this program is demonstrated by MYER one members spending 82% more than non-members.[21] Extending the MYER one program across Apparel Brands' customers creates an opportunity to increase sales of Apparel Brands products by targeted marketing to Apparel Brands customers and through providing ability for Apparel Brands' customers to earn and redeem MYER one credits;
- **omni-channel benefits:** an opportunity to unlock greater value by bringing Apparel Brands into Myer's omni-channel ecosystem. Myer has a higher online penetration (21.6% of sales in FY24) than Apparel Brands (16.4% of sales in FY24). Consequently, bringing Apparel Brands into Myer's omni-channel ecosystem creates an opportunity for an immediate uplift in Apparel Brand sales;
- **sourcing optimisation:** the Combined Myer Group will generate pro forma historical sales in the apparel category of more than $2 billion for FY24, making it one of the largest apparel retailers in Australia. This presents significant scale opportunities through a combined sourcing function, such as benefiting from long-term relationships with key suppliers and improved economies of scale to secure and offer high-quality products at competitive price points, harmonising supplier terms and consolidating suppliers to extract cost efficiencies as well as operating efficiencies and unifying and streamlining product lead times and inventory management systems. In addition, Apparel Brands' existing operational excellence in sourcing allows a faster lead time between the factory and shop floor, agility in product development and store allocation. It is expected that over the longer term, an optimised sourcing function will also enable the Combined Myer Group to leverage this capability to deliver high quality products that are on-trend and desired by customers, which in turn is expected to drive sales and reduce promotional activity;
- **Myer Exclusive Brands:** leverage Apparel Brands' disciplined approach to managing costs across product development and sourcing. Myer's private label apparel products generated a 56% operating gross margin in FY24 compared to 58% for Apparel Brands;
- **specialty brands:** leverage scale and Apparel Brands' brand management expertise and know-how to improve operational and financial performance of sass & bide, Marcs and David Lawrence. In FY24, Apparel Brands generated EBIT of $76.4 million whereas Myer's speciality brands were each loss making (refer to Section 6.3.5 of the Explanatory Memorandum);
- **financing cost savings**. Myer's $65 million fully drawn floating rate loan (Tranche A) and $150 million revolving credit facility (Tranche B) expire on 3 December 2025. The terms of these loans reflect its high financial leverage (including leases) of 85.1% as at 27 July 2024. Myer's financing costs[22] in FY24 were $13.6 million. As a result of the lower gearing (including leases) for the Combined Myer Group, it is expected that the Combined Myer Group will be able to achieve lower funding costs;
- **distribution centre and logistics optimisation**: the Combined Myer Group will have access to six distribution centres comprising Myer's four distribution centres in Victoria, Queensland, New South Wales and Western Australia and Premier's two distribution centres in Victoria and New Zealand (which Apparel Brands will have access to via the TSAs). It is expected that the Combined Myer Group will evaluate the optimal distribution centre and logistics network to maximise economies of

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[21] Source: Mastercard commissioned analysis 2022.

[22] Includes interest expense, amortisation of borrowing costs and bank facility fees. Excludes lease interest and interest income.

scale and reduce unit costs. Currently, Apparel Brands products are distributed nationally from Premier's Truganina distribution centre in Victoria. There is an opportunity to reduce delivery costs by shipping Apparel Brands' products from Myer's national distribution centre. In addition, there is potential to optimise significant latent capacity at Myer's national distribution centre and Wacol distribution centre by fulfilling online sales through the national distribution centre, rather than directly from Myer stores;

- **store network enhancement:** the Combined Myer Group will have a store network of 783 department and specialty format stores. Over time, Myer expects that there will be opportunities to optimise the combined store network to extract operational efficiencies and drive store productivity; and
- **cost management**: in FY24, Apparel Brands generated an EBIT margin of 9.7%, compared to Myer's Underlying EBIT margin of 3.1%.[23] There is an opportunity to leverage Apparel Brands' disciplined cost management approach across Myer in order to reduce costs and increase margins. There is also an opportunity to reduce duplicated costs.

In the short to medium term, Myer expects to generate combination benefits of at least $30 million of pre-tax earnings per annum on a run-rate basis. Myer has identified three key priority focus areas to extract combination benefits in the near term, including extending the MYER one loyalty program across Apparel Brands, including Apparel Brands' products in Myer's omni-channel ecosystem and developing a combined sourcing model that leverages Apparel Brands' sourcing model.

Myer has not disclosed anticipated integration costs, however, these could potentially be material. Furthermore, Kroll notes that actual combination benefits could be higher or lower than those assumed. They represent current expectations which are subject to assumptions as to future events which involve inherent uncertainties and contingencies. In particular, there is a risk that not all combination benefits will be achieved, there are delays in achieving those savings or that integration costs are greater than expected. On the other hand, the $30 million of combination benefits represents the minimum level of pre-tax revenue and cost savings that Myer expects to achieve and includes only those that can be achieved in the short to medium term.

3.4.3 The Combination is expected to result in substantial EPS accretion

The Combination is expected to generate EPS accretion of 6.7% on a pro forma FY24 basis excluding combination benefits. Including the $30 million minimum expected pre-tax run-rate combination benefits, EPS accretion is 30.1%.

Myer's EPS Accretion

	Myer (stand-alone)	Combined Myer Group	
		Excluding combination benefits	Including combination benefits
FY24 net profit after tax ($ million)	43.5	95.8	116.8
Number of shares	837.6	1,728.1	1,728.1
EPS (cents)	**5.2**	**5.5**	**6.8**
Increase		*6.7%*	*30.1%*

Source: Kroll analysis.

Kroll notes, however, the statutory EPS in the years following Completion may be negatively impacted by transaction and integration costs. Furthermore, the combination benefits are expected to be realised incrementally over the short to medium term and there is no certainty that all of the combination benefits will be achieved. As such, it will likely take some time before actual EPS for the Combined Myer Group reaches this level.

[23] Myer's Underlying EBIT margin has been calculated as Underlying EBIT (pre-AASB 16) divided by revenue from sale of goods excluding concession sales, which is consistent with the reporting for the peers.

3.4.4 Fully franked Pre-Completion Dividend of 2.5 cents per Myer Share

The Myer Board intends to declare before Completion a fully franked dividend of 2.5 cents per share to Myer Shareholders, provided all conditions to the Combination have been fully satisfied. The dividend is fully franked and would have approximately 1.1 cents per Myer Share of franking credits attached.

3.4.5 Greater depth of Board and management talent

The Combination provides an opportunity to strengthen the Myer Board and management via the addition of Solomon Lew, who brings deep retail sector expertise, and the Apparel Brands' management team including Teresa Rendo, Managing Director of Apparel Brands. Furthermore, Myer will acquire all of Premier's property team, which has historically driven substantial value through its property strategy.

3.4.6 Enhanced balance sheet and greater capacity to invest across the combined business

Although Myer is in a net cash position when operating leases are not factored in, the inclusion of Myer's substantial store leases creates significant financial leverage, with a gearing ratio (including leases) of 85.1% at 27 July 2024. The Combination will result in a reduction of gearing (including leases) to 67.3% on a pro forma basis as at 27 July 2024 (refer to Section 10.6 of this report). As a result of the Combined Myer Group's reduced gearing, it is expected that it will have a greater ability to pursue growth opportunities.

3.4.7 Enhanced liquidity and improved access to capital markets

The Combined Myer Group is likely to have greater relevance to equity investors through increased scale relative to Myer on a stand-alone basis. Based on the closing share price of Myer as at 12 December 2024 of $1.21, the pro forma market capitalisation of the Combined Myer Group would have been $2.1 billion,[24] substantially larger than the pre-Combination market capitalisation of $536.5 million.[25]

Shortly after Completion, Premier will undertake an In Specie Distribution of all its Myer Shares (being the Consideration Shares plus its existing shareholding in Myer) to Premier Shareholders, resulting in Premier Shareholders becoming shareholders in the Combined Myer Group directly and Premier ceasing to be a shareholder in Myer. As a result, the Combined Myer Group will have a more diversified shareholder base and free float will increase from an estimated 68.8% to 73.2%, or $1.5 billion. Based on current share trading, this will position the Combined Myer Group within the S&P/ASX 200 Index.

Although Myer Shares are liquid (refer to Section 8.8.3 of this report), the larger market capitalisation and free float of the Combined Myer Group is expected to result in an increased daily trading volume for the Combined Myer Group in comparison to Myer stand-alone.

The larger size of the Combined Myer Group may also increase coverage by brokers, attracting the interest of institutional shareholders and leading to a potential for a positive sharemarket re-rating, noting that scale is a factor in determining trading multiples for Australian retailers (refer to Section 11.3.1 of this report). Prior to the announcement of the Combination, Myer was covered by one broker. Since the announcement of the Combination, two additional brokers are covering Myer, with one broker having provided a comprehensive analysis of the implications of the Combination for Myer.

3.4.8 Myer's share price has positively re-rated

Since the announcement of the Combination, Myer's share price has positively re-rated and reflects the anticipated substantial combination benefits. From the announcement of the Combination until 12 December 2024, Myer Shares have traded in the range of $0.88 to $1.27, and a VWAP of $1.08, which represents a premium of 68.7% to the one-month VWAP prior to the announcement of the Indicative Proposal of $0.64. A portion of this re-rating may be attributable to the increase in the sharemarket over this period (the S&P/ASX 200 Consumer Discretionary Index has increased by 12.0%), however, this increase in Myer's share price is still substantial.

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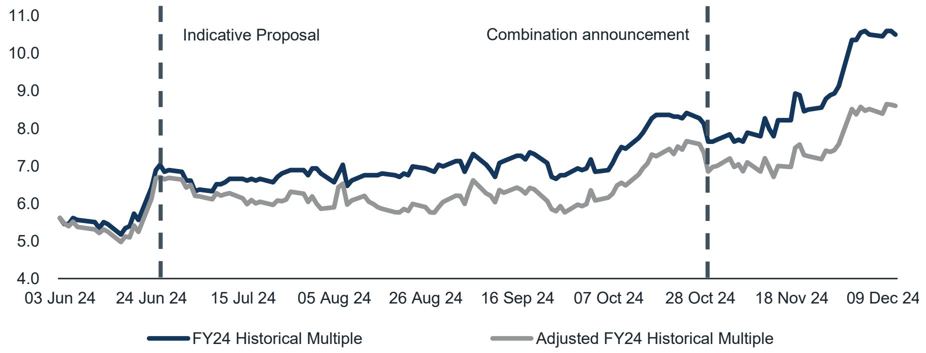
[24] Based on 1,728.1 million shares outstanding.
[25] Based on the closing share price on 21 June 2024 of $0.645, the last trading day before the announcement of the Indicative Proposal and 837.6 million shares outstanding.

The impact of the positive re-rating on Myer's historical EBIT multiples based on trading since 1 June 2024 is illustrated in the following chart. Noting that the S&P/ASX 200 Consumer Discretionary Index increased by 12.0% from 21 June 2021 until 12 December 2024, Kroll has also presented Myer's historical EBIT multiples adjusted to remove the impact of the movement in the index.

Myer's Implied Historical EBIT (pre-AASB 16) Multiple since 1 June 2024



Source: Capital IQ, Kroll analysis.
Notes:
1. Myer's FY24 historical EBIT multiple up until the announcement of the Indicative Proposal is calculated based on Myer's FY24 EBIT and post the announcement of the Indicative Proposal, it is calculated based on FY24 pro forma EBIT for the Combined Myer Group (including minimum expected pre-tax combination benefits of $30 million). In each case, the multiple is calculated based on Myer's actual share price.
2. Myer's adjusted FY24 historical multiple is calculated in the same way as in Note 1, however, Myer's share price has been adjusted to remove the impact of movements in the S&P/ASX 200 Consumer Discretionary Index.

Based on Myer's share price over time, its trading multiple increased from 5.2 to 5.7 times Myer FY24 EBIT prior to the announcement of the Indicative Proposal, to 7.7 to 10.6 times Combined Myer Group FY24 EBIT in the period since the announcement of the Combination, or 6.7 to 8.6 times after adjusting for the increase in the index.

The Combined Myer Group FY24 EBIT from which the multiples are calculated after the announcement of the Indicative Proposal includes the announced minimum expected pre-tax combination benefits of $30 million. Consequently, the re-rating illustrated above is in addition to the impact of the minimum expected pre-tax combination benefits of $30 million.

Kroll notes, however, that there is no guarantee that Myer Shares will continue to trade at the current levels, and that the positive re-rating will persist.

3.4.9 Myer's share price will likely fall in the absence of the Combination

In the absence of the Combination, the Myer Share price is likely to fall to levels consistent with trading prior to the announcement of the Indicative Proposal (a one-month VWAP of $0.64), with an allowance for:

- Myer specific events. On 20 September 2024, Myer released its FY24 results. The actual EBIT for FY24 was 8.6% lower than the broker forecast. Following the announcement, the broker lowered its FY25 EBIT forecast by 12.8%, and the Myer Share price fell by 8.6% on heavy trading to close at $0.80 on 25 September 2024. On 29 October 2024, however, in conjunction with the announcement of the Combination, Myer announced the strategic objectives under the Strategic Review, which would likely have had a positive impact on the share price. In addition, Myer will have incurred an estimated $6.0 million in transaction costs if the Combination does not proceed;
- any sector developments including improved consumer sentiment, with the Westpac MI Consumer Sentiment Index improving by 13.2% since June 2024 and retail sales growing for three consecutive months to October 2024. Furthermore, on 2 December 2024, the Australian Bureau of Statistics advised that retail sales had increased by 0.6% in October 2024 relative to the prior month,

exceeding the forecast of 0.4% and up from 0.1% in September 2024.[26] In this regard, Kroll notes that from 21 June 2024 (the last trading day prior to the announcement of the Indicative Proposal) until 12 December 2024, the S&P/ASX 200 Consumer Discretionary Index has increased by 12.0%; and

- trends in broader equity markets. From 21 June 2024 until 12 December 2024, the S&P/ASX 200 Index increased by 6.9%.

3.4.10 Risks associated with the integration of Myer and Apparel Brands

There are risks that any integration between the businesses of Myer and Apparel Brands could be more complex than expected, resulting in additional costs or delays in the integration process. Kroll notes, however, that this risk is mitigated as it is intended that Premier and Myer will enter into two Transition Services Agreements (**TSAs**) whereby Just Group and Myer will each continue to provide certain services to each other for an initial term of 12 months, with an option to extend for a further 12 months subject to certain exceptions.

3.4.11 Myer Shareholder dilution

As a result of the issue of the Consideration Shares to Premier, Myer Shareholders will hold 48.5% of the Combined Myer Group Shares. Consequently, their ownership of the Combined Myer Group will be significantly lower than their current share of ownership of Myer.

3.4.12 Change in risk profile

Myer Shareholders' risk profile will change. They will have an exposure to the Apparel Brands' business, which may result in different exposures to risks associated with supply chains, brand reputation, competition, people management, technology, sustainability and property (refer to Section 7.3 of the Explanatory Memorandum).

3.4.13 Alternatives considered

No alternatives were considered relative to the Combination as the Myer Independent Directors considered that there are no other parties in Australia that could generate an equivalent level of benefits as those achieved by the Combination.

It is, however, conceivable that Myer could receive a takeover proposal from another bidder. In this respect, no superior proposal for Myer has emerged since the announcement of the Indicative Proposal on 24 June 2024. While this opportunity remains, at this point in time, we consider the likelihood of a superior proposal to be low for the following reasons:

- any alternative proposal would need to have the support of Premier, which currently holds 31.2% of Myer Shares;
- other parties have had considerable time to consider and make an alternative proposal; and
- Myer and Apparel Brands are highly complementary, with Myer's strong brand name, leading loyalty program and e-Commerce platform and Apparel Brands' apparel know-how. The benefits of combining Myer and Apparel Brands have been recognised by the market, with Myer's share price increasing by 68.7% since the announcement of the Indicative Proposal and Combination.[27] It is unlikely that other parties could achieve such significant combination benefits and, therefore, would be prepared to pay a premium over and above Myer's current share price.

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[26] "Australian retail sales strengthen,", Bloomberg, Share post, AFR, 2 December 2024.

[27] From the announcement of the Combination until 12 December 2024, Myer Shares have traded in the range of \$0.88 to \$1.27, at a VWAP of \$1.08, which represents a premium of 68.7% to the one-month VWAP prior to the announcement of the Indicative Proposal of \$0.64.

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3.4.14 Other considerations

In forming our opinion, we have also considered a number of other factors. Whilst we do not necessarily consider these factors to impact our assessment of the reasonableness of the Combination, we have addressed them as follows.

One-off transaction costs

If the Combination is not implemented, Myer expects that aggregate transaction costs will be approximately $6.0 million (excluding Goods and Services Tax (**GST**)).

If the Combination is implemented, the Combined Myer Group is expected to incur transaction costs of $12.6 million (excluding GST) in relation to the Combination.

The Combination is subject to the satisfaction of certain conditions

There are certain conditions which, if not satisfied (or waived), will result in the Combination not being implemented. In particular, the Combination is subject to certain regulatory reliefs and confirmations from ASIC and the ASX. For further details as to conditions precedent, refer to Section 5.3 of this report and Section 9.3 of the Explanatory Memorandum.

Taxation implications for Myer Shareholders

Section 8 of the Explanatory Memorandum sets out a general summary of certain Australian income tax, GST and stamp duty implications for Myer Shareholders in relation to the following:

- certain implications associated with holding Distribution Shares (including following the In Specie Distribution); and
- a subsequent disposal of Distribution Shares (including Myer Shares obtained from the In Specie Distribution).

The general summary is directed at Myer Shareholders who:

- hold Distribution Shares as a result of the In Specie Distribution;
- are residents of Australia for Australian income tax purposes or non-residents of Australia for Australian income tax purposes who do not hold Myer Shares through a permanent establishment in Australia; and
- hold their Myer Shares on capital account.

The summary does not apply to all Myer Shareholders including, but not limited to, those that:

- do not hold Distribution Shares;
- hold their Myer Shares as revenue assets;
- acquired their Myer Shares pursuant to an employee share scheme;
- are 'temporary residents';
- are exempt from tax or subject to special tax rules (e.g. insurance companies or superannuation funds);
- are subject to certain concessional tax rules; or
- are subject to "taxation of financing arrangements' provisions,

Section 8.2 of the Explanatory Memorandum refers Premier Shareholders who receive shares by way of the In Specie Distribution to guidance in the Premier Explanatory Booklet.

Section 8.3 of the Explanatory Memorandum considers the Australian taxation implications of the payment of dividends on Myer Shares. In general, that dividends distributed by Myer on a share will constitute assessable income of an Australia tax resident investor and that any franking credit attached to that dividend should also be included in their assessable income for the same income year. In this regard, the availability of tax offsets for franking credits for such Australian tax resident investors is subject to certain integrity rules. For non-Australian resident shareholders dividends should not be subject to withholding tax to the extent the dividends are fully franked or relate to conduit foreign income. No GST or stamp duty should be payable by relevant Myer Shareholders in relation to the receipt of dividends on Myer Shares held by such shareholders.

Section 8.4 of the Explanatory Memorandum considers the Australian tax implications of the disposal of Myer Shares. For Australian resident shareholders the disposal of a Myer Share will constitute a disposal for capital gains tax purposes. With respect to a non-resident of Australia for Australian income tax purposes who do not hold their Myer Shares in carrying on a business through an Australian permanent establishment, the whole of any capital gain or capital loss made upon the disposal of their Myer Shares will be disregarded subject to meeting certain conditions. No GST or stamp duty should be payable by relevant Myer Shareholders in respect of the disposal of Myer Shares.

Myer Shareholders should consider their individual taxation circumstances, review Section 8 of the Explanatory Memorandum for further information where it applies to their circumstances and seek the advice of their own professional advisor.

3.4.15 Consequences if the Combination does not proceed

In the event that the Combination is not approved, or any conditions precedent prevent the Combination from being implemented, Myer will continue to operate in its current form. As a consequence:

- Myer will continue to pursue its strategy which includes growing Myer Exclusive Brands particularly in womenswear and youth, noting that it would likely take significant time to build this capability internally and Myer would need to overcome the difficulty and complexity required to replicate the know-how and expertise required to build a successful apparel business;
- Myer Shareholders will continue to be exposed to the risks and benefits associated with an investment in Myer, including increased competition and high financial leverage as a result of Myer's store leases. Myer Shareholders will also not benefit from the expected combination benefits associated with the Combination;
- Myer's share price will likely fall (refer to Section 3.4.9 of this report);
- Myer Shareholders will not receive the Pre-Completion Dividend. In this event, the Myer Board expects to declare an ordinary course interim dividend in FY25, however, no guarantee can be given about future dividends, as these matters will depend on future profits of Myer, its financial and taxation position and the Myer Directors' view of the appropriate payout ratio at the time. As such, any interim dividend declared in FY25 may differ from the Pre-Completion Dividend amount of 2.5 cents per Myer Share; and
- Myer will have incurred an estimated $6.0 million (excluding GST) of one-off transaction costs in relation to the Combination.

4 Other matters

Our report has also been prepared in accordance with the relevant provisions of the ASX Listing Rules and other applicable Australian regulatory requirements and has been prepared solely for the purpose of assisting Non-Associated Myer Shareholders in considering whether to vote in favour of the Combination. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

This report constitutes general financial product advice and has been prepared without taking into consideration the individual circumstances of Non-Associated Myer Shareholders. This advice therefore does not consider the financial situation, objectives or needs of individual Myer non-associated shareholder.

The decision of Non-Associated Myer Shareholders as to whether or not to approve the Combination is a matter for individual shareholders who should, therefore, consider the appropriateness of our opinion to their specific circumstances. As an individual's decision to vote for or against the Combination may be influenced by their particular circumstances, we recommend that individual Non-Associated Myer Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

Our opinion is based solely on information available as at the date of this report. This information, and our limitations and reliance on information, are set out in Appendix 2 of this report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

All currency amounts in this report are denominated in Australian dollars (**$**) unless otherwise stated. References to a financial year have been abbreviated to FY. For Myer, Apparel Brands and the Combined Myer Group, the financial year is the 52 weeks to 31 July. In the valuation section of our report, the 'historical' period refers to the last 12-month (**LTM**) period and the 'forecast' period refers to the next 12-month period (**NTM**). All earnings are on a pre-AASB 16 basis unless otherwise stated.

Kroll has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the end of this report.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this report, including the appendices.

Yours faithfully

Ian Jedlin
Authorised Representative

Celeste Oakley
Authorised Representative

MYER
MY STORE

Independent Expert's Report
and
Financial Services Guide
In relation to the combination of Myer Holdings Limited and Apparel Brands

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5 The Combination

5.1 Overview

On 24 June 2024, Myer announced that it had approached Premier with a non-binding, indicative and conditional proposal (**Indicative Proposal**) to explore a potential combination with Premier's Apparel Brands business comprising Just Jeans, Jay Jays, Portmans, Jacqui E and Dotti.

On 29 October 2024, Myer announced that it had entered into a binding Share Sale and Implementation Agreement with Premier with respect to the Combination, being a combination of Myer and Premier's Apparel Brands.

Under the Share Sale and Implementation Agreement, Myer will issue 890.5 million new, fully paid ordinary shares in Myer (Consideration Shares) to Premier upon Completion in consideration for Just Group which will retain $82 million of cash. Prior to Completion, Premier will complete the Pre-Completion Restructure with Just Group such that it only owns the Apparel Brands business.

Following issuance of the Consideration Shares, existing Myer Shareholders (including Premier's existing shareholding) will own 48.5% of issued capital in Myer.

In addition, the Myer Board intends to declare the Pre-Completion Dividend, a fully franked dividend of 2.5 cents per share to existing Myer Shareholders, provided all the conditions to the Combination have been satisfied or waived.[28] A fully franked dividend of 2.5 cents per Myer Share would have approximately 1.1 cents per Myer Share of franking credits attached.

Premier currently has a 31.2% interest in Myer Shares. Century Plaza Group is Premier's largest shareholder and the private investment vehicle of Premier's Chairman, Mr Solomon Lew. As a result of Century Plaza Group's 40.2% interest in Premier Shares, it has a deemed relevant interest in Myer of 31.2%.

In return for the sale of Apparel Brands (including retained cash of $82 million), Premier will receive 51.5% of the issued capital in Myer. Shortly after Completion, Premier will undertake the In Specie Distribution, which involves Premier distributing the Consideration Shares and its existing 31.2% shareholding in Myer to Premier Shareholders on a pro rata basis. As a result, Premier will no longer hold Myer Shares and Premier Shareholders will be shareholders in Myer directly.

Following the In Specie Distribution, it is expected that Century Plaza Group will become Myer's largest shareholder with a pro forma shareholding of 26.8%, which is below its current deemed relevant interest in Myer of 31.2%.

Following Completion, Solomon Lew is expected to join the Board of the Combined Myer Group as a non-executive director consistent with Century Plaza Group becoming Myer's largest shareholder following Completion. Olivia Wirth will continue to lead Myer Group as Executive Chair. Certain of the Apparel Brands' executive team, including Managing Director of Apparel Brands, Teresa Rendo, will join the Myer Group management team.

The Myer Independent Directors unanimously support the Combination and recommend that Non-Associated Myer Shareholders vote in favour of the Combination, subject to the independent expert continuing to conclude that the Combination is not both unfair and unreasonable to Non-Associated Myer Shareholders. Subject to this same qualification, each Myer Independent Director intends to vote any Myer Shares they hold or control in favour of the Combination.

[28] If the Combination does not Complete (including as a result of Myer Shareholders not approving the Combination Resolution), Myer Shareholders will not receive the Pre-Completion Dividend. In this event, the Myer Board expects to declare an ordinary course interim dividend in FY25, however, no guarantee can be given about future dividends, as these matters will depend on future profits of Myer, its financial and taxation position and the Myer Directors' view of the appropriate payout ratio at the time. As such, any interim dividend declared in FY25 may differ from the Pre-Completion Dividend amount of 2.5 cents per Myer Share.

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5.2 Agreements

5.2.1 Transition services

It is intended that Premier and Myer will enter into two TSAs:

- an agreement in respect of the provision of services by the Premier Group (the legal group which will carry on the Peter Alexander and Smiggle businesses) to the Just Group (the legal group which will carry on the Apparel Brands business) (the **Just Group TSA**); and
- an agreement in respect of the provision of services by the Just Group to Premier Group (the **Myer TSA**).

The services will be provided for an initial term of 12 months, with an option to extend once in respect of each service category for a minimum of six months and not to exceed for a further 12 months subject to certain exceptions. The service provider must use its best endeavours to provide the services to the same overall standard, availability and volumes as any similar service was provided in the 12 months prior to Completion (and the same applies in respect of third party-supplied services). The service fees will be set at FY24 expense levels for the initial term and then on a cost-plus basis for any extended term. The agreement provides for the ability to roll-off aggregate service categories early by providing three months' notice and the Just Group must pay any services fees owing up until the effective date of roll off.

5.2.2 Separation Deed

The Separation Deed will document the transfer of certain assets and liabilities between the Premier Group and Just Group, allocation of shared assets between the parties, the setting of the level of cash which must be retained inside the Just Group at Completion ($82 million) and the allocation of historical and future risk and liabilities between the parties in respect of certain matters.

5.2.3 Website Agreement

The Website Agreement will document the terms on which Peter Alexander and Smiggle will, for a transitional period following Completion, remain on the Just Group multi-brand website.

5.3 Conditions precedent

The Combination is subject to the following conditions precedent:

- Myer Shareholder approval pursuant to ASX Listing Rules 10.1 and 10.11;
- Premier Shareholder approval pursuant to section 256C of the Corporations Act;
- completion of the Pre-Completion Restructure of Just Group by Premier;
- entry into a binding long form documentation in relation to certain transitional services, website agreements, and separation arrangements in each case based on agreed term sheets; and
- Myer and Premier obtaining certain regulatory reliefs and confirmations from ASIC and the ASX.

5.4 Transaction costs

If the Combination is not implemented, Myer expects that aggregate transaction costs will be approximately $6.0 million (excluding GST).

If the Combination is implemented, the Combined Myer Group is expected to incur transaction costs of $12.6 million (excluding GST) in relation to the Combination.

6 Scope of the report

6.1 Purpose

ASX Listing Rule 10.1 prohibits publicly listed companies from acquiring a substantial asset from, or disposing of a substantial asset to, any of the following without shareholder approval:

- a related party;

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- a subsidiary or other controlled entity (unless 100% owned);
- a person who holds over 10% in the entity;
- an associate of any of the above; or
- any other person whose relationship to the company is such that in the ASX's opinion, the transaction should be approved by shareholders.

ASX Listing Rule 10.11 prohibits publicly listed companies from issuing securities without shareholder approval to:

- a related party of the company such as a director;
- a person who has, or had at any time in the previous six months, a substantial shareholding of at least 30% in the company;
- a person who has, or had at any time in the previous six months, a substantial (10%+) holding in the company and who has nominated a director to the board of the company;
- an associate of a person referred to above; or
- a person whose relationship with the company or a person referred to above is such that the ASX considers that shareholder approval should be obtained.

In accordance with Listing Rule 10.2, an asset is substantial if its value or the value of the consideration being paid is, or in ASX's opinion is, 5% or more of the equity interests in the entity.

The Combination involves the issue of Myer Shares to Premier (and ultimately Premier's shareholders) in exchange for the acquisition of Premier's Apparel Brands business. Premier and Myer are related parties as a result of Premier's 31.2% relevant interest in Myer (in accordance with the substantial shareholder notice dated 18 April 2024) and as the parties have a common Director. Apparel Brands is a substantial asset since the value of the Consideration Shares represents 51.5% of the Combined Myer Group Shares and over 100% of Myer's equity.

The notice of meeting to approve a transaction under Listing Rule 10.1 must include an independent expert's report. The report must state the expert's opinion as to whether the transaction is fair and reasonable to non-associated shareholders.

Accordingly, the Myer Independent Directors has requested Kroll to prepare an independent expert's report opining on whether the Combination is fair and reasonable to Non-Associated Myer Shareholders.

6.2 Basis of assessment

In preparing the IER, Kroll has had regard to the relevant Regulatory Guides issued by ASIC, being RG 111 and RG 112.

RG 111 differentiates between the analysis required for control transactions and other transactions. RG 111.56 states that where an expert assesses whether a related party transaction is 'fair and reasonable', this should not be applied as a composite test – that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction.

RG 111.57 states that a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made:

- assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- for control transactions, on the basis referred to in RG 111.11.

RG 111.58 states that where the proposed transaction consists of an asset acquisition by the entity, it is 'fair' if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.

RG 111.59 states that in valuing the financial benefit given and the consideration received by the entity, an expert should take into account all material terms of the proposed transactions.

In undertaking this analysis, Kroll has compared the value of Apparel Brands (including retained cash) on a control basis with the value of the Consideration Shares that Myer Shareholders are giving up. The valuation of the Consideration Shares is based on trading in minority parcels of Myer Shares on the ASX subsequent to the announcement of the Combination.

In addition, Kroll has considered whether, overall, Non-Associated Myer Shareholders are better off as a result of the Combination. This has been evaluated by comparing the value of Myer Shares on a stand-alone basis with the value of the Combined Myer Group Shares. Each has been valued on a minority basis, noting that there is no change of control of Myer under the Combination.[29]

RG 111.60 A proposed related party transaction is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons for members to vote for the proposal.

RG 111.62 When deciding whether a proposed transaction is 'reasonable', factors that an expert might consider include:

- the financial situation and solvency of the entity, including the factors set out in RG 111.26, if the consideration for the financial benefit is cash;
- opportunity costs;
- the alternative options available to the entity and the likelihood of those options occurring;
- the entity's bargaining position;
- whether there is selective treatment of any shareholder, particularly the related party;
- any special value of the transaction to the purchaser, such as particular technology or the potential to write off outstanding loans from the target; and
- the liquidity of the market in the entity's securities.

7 Industry

Myer is an Australian diversified discretionary retailer that operates 56 department stores across Australia, retailing a broad range of products across menswear, womenswear, kids, beauty, and home. Apparel Brands operates in the Australian clothing, footwear, and accessories (**clothing** or **apparel**) retail industry and includes five brands operated from 719 stores. The following section provides an overview of the broader Australian discretionary retail industry, with a focus on the Australian clothing retailing and department store segments in which Myer and Apparel Brands are exposed.

7.1 Overview of the Australian discretionary retail industry

The Australian discretionary retail industry is comprised of companies who predominately sell discretionary goods to consumers and can be further divided into the following four segments:[30]

- department stores;
- clothing, footwear, and accessories (also referred to as clothing or apparel);
- household goods (also referred to as homewares); and
- other retailing (including newspaper and book retailing, toys and game retailing, and pharmaceutical, beauty and toiletry goods retailing).

[29] Premier will distribute its existing Myer Shares and the Consideration Shares to Premier Shareholders via an In Specie Distribution. Following the In Specie Distribution, it is expected that Century Plaza Group will become Myer's largest shareholder with pro forma ownership of 26.8%, which is below its current deemed relevant interest in Myer of 31.2%.

[30] Retail segments as described by the Australian and New Zealand Standard Industrial Classification (**ANZSIC**).

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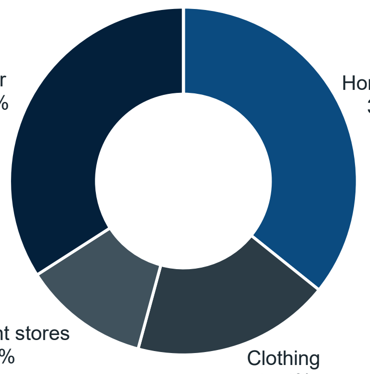
In FY24, Australian discretionary retail turnover totalled $193.8 billion, growing 0.1% compared to FY23.[31] Homewares and other retailing accounted for the largest share of turnover for FY24, representing 35.8% and 34.1% of total turnover respectively, with clothing retailers and department stores representing 18.4% and 11.7% respectively.[32]

The share of retail turnover in FY24 by segment is presented in the following chart.

Australian Discretionary Retail Industry FY24 Turnover by Segment



Source: Australian Bureau of Statistics, Kroll analysis.

7.1.1 Australian department store segment

Department stores retail a broad range of products including menswear, womenswear , homewares, beauty and cosmetics, furniture, and electronics. Products offered are typically from third-party brands but can also include private label brands that are owned by the department store. Department stores traditionally differentiate themselves from smaller specialty retailers through their broad product range and by providing customers with a one-stop shopping experience. In FY24, turnover generated from department stores totalled approximately $22.8 billion, accounting for 11.7% of total discretionary retail turnover.[33]

The department store segment, like the wider discretionary retail industry, is characterised by its seasonality as performance fluctuates throughout the year, with peak periods occurring during holiday periods including Christmas, and seasonal sales events like Boxing Day and Black Friday. Segment turnover is cyclical, with performance fluctuating in line with consumer sentiment and overall macroeconomic conditions. The segment is highly concentrated, with the market dominated by five department stores, with premium department stores, including David Jones and Myer, representing approximately 25% of the market share by turnover, and discount to mid-market department stores including Kmart, Target, and Big W, representing the remainder of the market.[34] Despite the broader segment only being comprised of five participants, department stores compete against the entire discretionary retail market which is highly competitive and fragmented, and consequently department stores face intense competition from category specialists (for example, JB Hi-Fi in electronics, Sheridan in homewares, and MECCA in beauty) as well as specialty apparel retailers. The entrance of large global eCommerce marketplaces like Amazon has also intensified competition.

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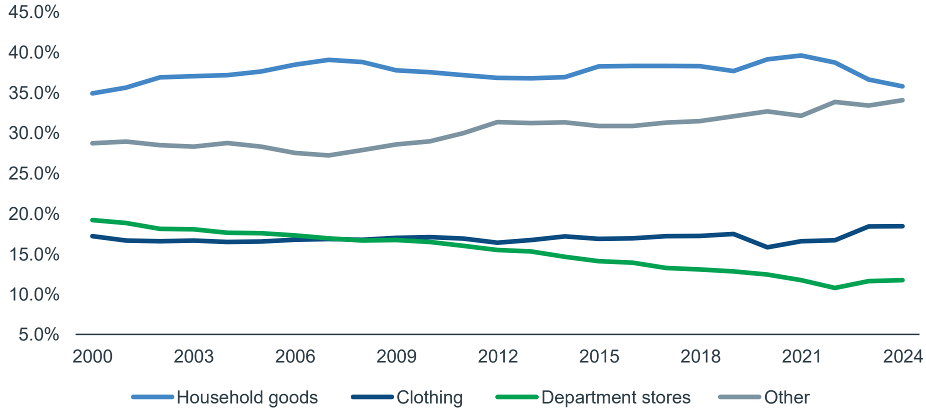
31 Australian Bureau of Statistics, Retail Trade, Australia, October 2024. Retail trade includes food, household goods, clothing, footwear and personal accessories, department stores, other retailing and cafes, restaurants and takeaway food services.
32 Australian Bureau of Statistics, Retail Trade, Australia, December 2024.
33 Australian Bureau of Statistics, Retail Trade, Australia, December 2024.
34 Morningstar; Surge in ASX share may be overblown, June 2024.

Traditionally, department stores have been a key driver for foot traffic and have served as an anchor tenant for major suburban shopping centres.[35] However, due to structural shifts in the segment, including the increasing popularity of online shopping and the aforementioned growth in competition, the importance of department stores has somewhat diminished, with department stores experiencing lower foot traffic and reduced floor space requirements. As a result, department stores have been the slowest growing retail segment in the last decade, with annual turnover growing at a compound annual growth rate (**CAGR**) of just 2.2% between FY15 and FY24 (total discretionary retail turnover grew at a CAGR of 4.1% over the same period). The relatively slower growth compared to the wider retail industry has meant that the share of discretionary retail turnover from department stores decreased from 19.2% in 2000 to 11.7% in 2024, as seen in the following chart.

Share of Discretionary Retail Turnover by Segment



Source: Australian Bureau of Statistics, Kroll analysis.

7.1.2 Australian clothing retail segment

Clothing retailers are involved in the procurement and sale of clothing, footwear, watches and jewellery, and other personal accessories directly to consumers. In FY24, the clothing retail segment generated a turnover of $35.7 billion representing 18.4% of total discretionary retail turnover. The clothing retail segment has been one of the fastest growing segments in the retail industry, growing at a CAGR of 5.0% between FY15 and FY24.

Similar to department stores, the clothing retail segment is characterised by high levels of cyclicality and seasonality, with business activity influenced by fluctuations in the economic cycle and peaking in specific periods during the year. The segment's performance is also driven by ever-changing consumer trends, with brands and specific products gaining and losing popularity and demand based on wider consumer preferences and behaviours. However, unlike department stores, clothing retailers are smaller and more segmented, with most clothing retailers typically focusing on a specific customer demographic (i.e. gender, age, income level) or a specific range of products (i.e. sportswear). As a result, the segment can be characterised as fragmented, with the market comprised of many small local retailers with no individual retailer controlling a significant share of the market. Competition faced by the local retailers includes that from department stores, and from recent entrants including large international fast fashion brands such as Uniqlo and Zara, and online retailers like The Iconic and Shein.

The Australian clothing retail landscape has undergone significant structural change in the past decade, driven by technological advancements and increased competition from the aforementioned entrance of international fashion brands and large online-only retailers. Technological advancements, including the increasing digitisation of commerce (i.e. eCommerce), advancement of supply chains, and prevalence of online shopping, have forced traditional brick and mortar retailers to shift their business model towards

[35] Australian Financial Review; How online shopping has changed what's in malls, December 2023.

online and omni-channel models to position themselves in line with changing customer habits (these models are outlined in more detail in Section 7.2 of this report). These advancements have also made it easier for international brands to compete locally, intensifying competition. More recent shopping trends have included consumers demanding greater personalisation and premium experiences in their retail journey, which have forced retailers to alter the ways in which they interact with and service consumers.

7.2 Sales channels

Sales channels refer to the methods and pathways in which department stores and clothing retailers sell to customers. These channels can be segmented into traditional physical channels, involving brick and mortar stores, and online channels including eCommerce websites, mobile applications, and online marketplaces.

7.2.1 Physical channels

Physical channels refer to traditional brick and mortar stores involving a physical storefront, allowing the retailer to showcase products and have face-to-face interaction with clients. Physical sales channels provide a range of advantages, including:

- providing a tangible shopping experience by allowing customer to interact with and try-on products;
- providing a greater retail experience, through more personalised customer service from face-to-face interactions with sales representatives;
- ability for sales representatives to upsell additional items to customers;
- instant gratification from customers due to immediate product availability; and
- faster and a more convenient return and exchange processes.

However, when compared to digital channels, physical channels may have the following disadvantages:

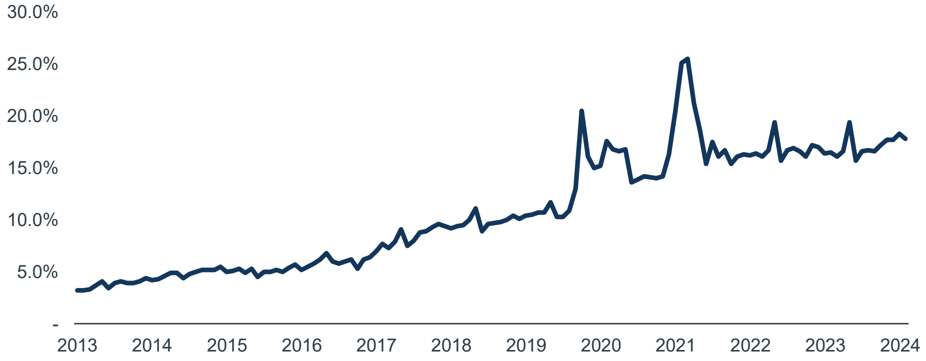
- higher operating costs, including rental (lease) costs, utilities, and staff costs;
- a more limited customer reach – typically limited to customers that are local to a geography; and
- physical channels require an additional level inventory management and planning to ensure correct inventory levels, as opposed to online channels which can be more centralised.[36]

7.2.2 Online channels

Online sales channels refer to sales platforms in which the entire shopping experience, including browsing, payment, delivery and return, is completed online and without physical engagement with sales staff or the underlying product. Common online sales channels include eCommerce websites, mobile applications, online marketplaces, and social media channels. The popularity of online sales channels has increased dramatically over the last decade, with the share of discretionary retail transactions completed online increasing from 3.2% in 2013 to 17.8% in 2024 as seen in the following chart.

[36] Shopify; Brick and Mortar Stores: Types, Benefits, Examples, Accessed October 2024.

Share of Total Discretionary Retail Transactions Completed Online



Source: Australian Bureau of Statistics, Kroll Analysis

Growth in popularity of online shopping in the past decade has been driven by a range of factors, including:

- greater convenience offered by online shopping compared to physical channels, as customers are able to browse and compare products 24/7. Some consumers may also have a preference to shop without interaction from sales staff. Increased efficiencies in shipping and logistics have resulted in faster and cheaper delivery further increasing the convenience of online shopping;
- the entrance of large online-only competitors including global online marketplaces like Amazon and online-only clothing retailers including The Iconic and ASOS who have offered competitive pricing, greater convenience and have allowed customers to access a greater range of products;
- proliferation of technology and technological advancements, including greater usage of mobile devices and social media increasing the accessibility of online shopping, as well as improvements to online payment technology; and
- travel and trading restrictions caused by the COVID-19 Pandemic, which accelerated the adoption of online shopping to overcome the closure of retail outlets and other supply chain issues.[37]

7.2.3 Omni-channel

Driven by greater consumer demand for personalisation and convenience in shopping experiences, as well as more customers utilising both physical and online sales channels to complete a transaction,[38] retailers have begun to adopt an omni-channel retail strategy involving customer engagement through multiple channels. An omni-channel strategy involves the integration of both physical and online sales channels to deliver a seamless and consistent retail experience to customers while catering to their buying preferences. This allows retailers to enhance customer engagement and to collect more data to better understand and cater to customer preferences. Through this, retailers can provide hyper-convenient and personalised retail experiences. Examples of omni-channel retail initiatives include ordering online and collecting in-store, allowing customers to check in-store stock availability online, and using customer data generated throughout the retail journey to deliver targeted advertising and personalised rewards. The benefits of adopting an omni-channel retail ecosystem include:

- higher customer spend rates, with customers spending as much as 18% more on omni-channel retailers;[39]
- stronger engagement with customers resulting in greater customer satisfaction and loyalty; and
- better understanding of customers through the use of data analytics.

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[37] Commonwealth Bank of Australia, Retail Pathways, February 2024.
[38] Salesforce reports that 67% of customers use multiple channels to complete a single transaction.
[39] Intel; What is Omni-channel Retail, accessed October 2024.

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7.3 Discretionary retail industry characteristics and trends

7.3.1 Macroeconomic conditions

Due to the cyclical nature of the discretionary retail industry, the primary determinant of retail sales is underlying economic conditions. Recent macroeconomic challenges facing the Australian economy caused by higher inflation and a rapid increase in interest rates have diminished consumer sentiment and reduced household disposable income, especially among younger consumers. Since early 2022, the Australian economy has been characterised by the following trends;

- persistent high inflation above the Reserve Bank of Australia's (**RBA**) target range which has increased the cost of living for households;
- high interest rates, with the RBA raising interest rates by 435 basis points between May 2022 and December 2023 in response to the aforementioned high inflation. This has resulted in an increase in mortgage payments reducing household disposable income;
- high population growth driven by two consecutive years of record net overseas migration in FY22 and FY23[40] which has helped bolster economic growth and retail sales;
- historically low unemployment, which has ranged between 3.5% and 4.2%;[41]
- diminished consumer sentiment, with the Westpac-Melbourne Institute Consumer Sentiment Index below the neutral mark for 33 consecutive months, its lowest sustained levels since the 1990's. This has been indicative of an overall pessimistic outlook on the economy from consumers mainly due to cost of living and housing pressures;[42] and
- declining real household disposable income which had fallen by 8.0% from March 2022 to March 2024.[43]

The discretionary retail industry was characterised by record high turnover growth in FY22, post the ending of the COVID-19 lockdowns driven by pent up consumer demand and high levels of household savings built up during the pandemic.[44] In the nine quarters since July 2022, retail spending on a real per capita basis has declined as diminished consumer sentiment and low levels of disposable income have reduced household spending on discretionary items.[45] However the discretionary industry has begun to rebound with nominal retail sales increasing for three consecutive months to October 2024 as consumer confidence improved in anticipation of potential interest rate cuts in 2025.[46]

7.3.2 Margin pressures

Discretionary retailers have experienced margin pressure in recent years driven by rising input costs, increased discounting activities, and exacerbated by declining demand. Consequently, growing margins has been a key focus for Australian retailers with 51% of retailers labelling margin growth a top priority.[47] Overall, Australian discretionary retailers have encountered increased margin pressures driven by the following;

- **elevated discounting activity:** reduced household disposable income and diminished consumer sentiment as described in Section 7.3.1 of this report has forced consumers to be more value conscious with 90% of consumers adopting deal-seeking behaviour and re-evaluating purchasing choices,[48] and more consumers electing to defer large purchases until special deals and sales.[49] To

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[40] Institute of Public Affairs; New ABS Data Confirms Highest Ever Net Migration in 2023, June 2024.
[41] ABS: Labour Force, Australia, November 2024.
[42] Westpac: Consumer sentiment sinks back to historic lows, April 2024.
[43] AFR; Australia's fall in disposable income is the worst in the world, August 2024.
[44] ABS; Lockdown recovery drives record 8.2% quarterly rise in retail sales, February 2022.
[45] Australian Bureau of Statistics, Retail Trade, Australia, December 2024.
[46] Westpac: Australian retail sales: early discounting enticing buyers ahead of Black Friday, December 2024
[47] KPMG; Australian Retail Outlook, 2024.
[48] CBA; Consumer Insights Report, September 2023.
[49] Monash University Lens: From crunch to crisis: How Australians are changing their spending and retail habits, May 2024.

counter the weaker consumer demand, department stores and clothing retailers have been forced to increase discounting to boost lacklustre sales;

- **higher input costs:** growth in the producer price index has remained elevated in recent years[50] driven by global supply chain pressures and a relatively weak Australian dollar which has increased input costs; and
- **labour shortages and elevated wage growth:** retail wages have grown significantly since 2022 with growth in the wage price index for retailers above historical averages.[51] Similarly, the Australian economy has experienced record low unemployment which has increased job vacancy rates. With labour costs typically representing the largest share of expenses for retailers, the higher wages and diminished labour supply has resulted in increased labour expenses.

7.3.3 Competition from new international and online-only entrants

Australian discretionary retailers especially department stores and clothing retailers have been faced with an increasingly competitive landscape in the past decade, driven by new international and online-only retailers. Driven by globalisation and technological advancements in the online shopping space, traditional Australian fashion brands and department stores have faced competition from; large international fast fashion brands including Uniqlo, and Zara which launched in Australia during the early 2010's, and online-only brands including clothing retailer the Iconic and global ecommerce giant Amazon who entered the Australian market in 2017.

These recent entrants have challenged incumbent Australian brands and department stores by being competitive on price and on the level of after-sales services due to their superior scale and efficiency. More recently, the entrance of Chinese ultra-cheap fast fashion retailer Shein and online marketplace Temu has further intensified competitive pressures with the two companies gaining market share due to heavy discounting and aggressive social media marketing spend.[52] The competition from new entrants who have captured significant market share has been a key reason for the collapse of many Australian apparel brands including Oroton in 2018 and Mosaic Brands in 2024.[53]

7.3.4 Changing market dynamics and need for investment

Loyalty programs

Retailers have increased investment in loyalty programs and have made them core to their strategies in order to drive customer engagement and increase brand loyalty. The Australian loyalty industry is estimated to have grown at a CAGR of 12% between 2019 and 2023 and is forecast to grow by 10.8% in 2024, with 84% of consumers being reported to be a member of at least one loyalty program.[54] Clothing retailers and department stores have made significant investment into these programs as they provide a range of benefits including;

- lowering expenses on a per customer basis, with customer retention costs estimated to be 5 to 25 times lower than customer acquisition costs;[55]
- driving increased sales and market share, with 50% of consumers stating that loyalty programs were influential in their choice of retailer.[56] Additionally loyalty members have higher spend rates with 66% of customers reporting they spent more on brands with loyalty programs they engage with;[57]
- generating data on customer spending habits, browsing behaviour, and demographics, which can be used to improve customer engagement, provide targeted advertising and rewards, and personalise offerings to customers; and

[50] KPMG; Australian Retail Outlook, 2024.
[51] ABS: Wage Price Index June 2024, August 2024.
[52] AFR; From nothing to $1b: Inside Temu and Shein's flying start in Australia, March 2024.
[53] RMIT; Legacy retailer enters voluntary administration, October 2024.
[54] Power Retail; 2024 Loyalty Insights Report, June 2024.
[55] Harvard Business Review; The Value of Keeping the Right Customers, October 2014.
[56] Australian Financial Review: How loyalty saved Myer from the retail graveyard, March 2024.
[57] Power Retail; 2024 Loyalty Insights Report, June 2024.

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- generating increased word of mouth engagement, with 61% of consumers reporting that they would recommend brands with a loyalty program with which they engage.[58]

Decline in department store floor space

The demand for floor space from department stores has reduced significantly in recent years driven by changing consumer habits and increased competition. As discussed in Section 7.1.1 of this report, department stores have traditionally served as anchor tenants for large shopping centres, typically requiring significant floor space for their broad product range. However, as consumers have shifted retail habits away from physical brick and mortar stores toward online sales channels, department stores have reduced their physical footprints and developed omni-channel capabilities. Additionally increased competition from retail category specialists have forced department stores to reduce their product offerings in certain categories where they have struggled to compete, including furniture and electronics retailing, furthering reducing floor space needs. This has been most notable in upper market departments stores, including Myer and David Jones, which have closed or reduced the number of floors in underperforming stores in recent years.[59,60]

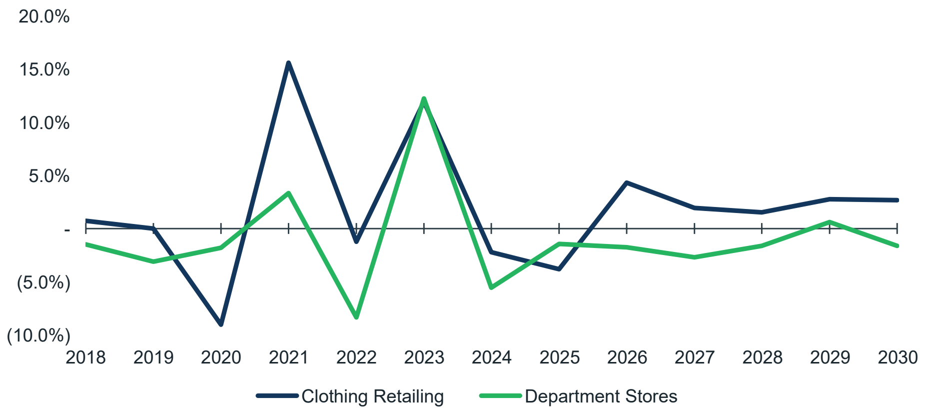
7.3.5 Ethical consumerism

Consumers have become increasingly conscious of their social and environmental footprint, and consequently have placed greater consideration on the ethical impact of their consumption habits. Through this, consumers have held high expectations regarding the ethical principles held by clothing retailers, with 73% of consumers placing a high level of importance on clothing retailers having strong sustainability policies and practices.[61] Consequently, retailers have experienced increasing pressure to consider a range of ethical principles in their business activities including the origin and sustainability of inputs, animal rights and cruelty, and the social impact of the entire product supply chain. Initiatives undertaken by retailers to cater to environmental and social demands include using sustainable and recycled materials in their products, reducing carbon emissions throughout the value chain, and placing greater emphasis on the repairability of their products.

7.4 Outlook

Historical and forecast Australian department store and clothing retailer turnover between 2018 and 2030 is set out as follows:

Historical and Forecast Inflation-adjusted Revenue by Segment



Source: IBIS World

[58] Power Retail; 2024 Loyalty Insights Report, June 2024.
[59] Australian Financial Review; Big discounting and store closures hit Myer's bottom line, August 2024.
[60] Sydney Morning Herald; David Jones downsizes: Why department stores keep slashing floor space, June 2015.
[61] CBA; Consumer Insights Report, September 2023.

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Inflation-adjusted revenue for the clothing retail segment is forecast to grow at a CAGR of 2.6% in the five years between 2025 and 2030.[62] The key driver of growth is expected to be improved consumer sentiment and the easing of cost-of-living pressures resulting from moderating inflation and interest rates cuts which are expected to occur in 2025. Despite this, competition from online-only retailers is expected to increase further, partially offsetting segment growth.

In contrast to the clothing retail segment, departments stores revenue is expected to decline in real terms at a CAGR of 1.4% between 2025 and 2030.[63] The decline in segment turnover is forecast despite the anticipated improvement in overall macroeconomic conditions as department stores are expected to face continued competitive pressures from online-only retailers. Additionally, department stores' footprints are forecast to continue to decline as they rationalise merchandise and floor space and as they move online.

8 Profile of Myer

8.1 Background

Myer was established in 1900 by brothers Sidney and Elcon Myer who opened a small drapery shop in Bendigo, Victoria.[64] From these early beginnings, Myer grew rapidly, opening the Myer Emporium on Bourke Street, Melbourne – a location that quickly became an icon and launchpad for Myer's transformation into one of Australia's largest and most renowned department store chains. Known for its broad product range across fashion, cosmetics and homewares, the Myer name has since become a staple in the Australian retail industry.[65]

Myer's acquisition of Grace Brothers Holdings Ltd (**Grace Brothers**) for $212.0 million in 1983 was a key milestone in its growth, as it expanded Myer's footprint into New South Wales. In 1985, Myer merged with GJ Coles & Coy. Ltd, an Australian supermarket operator, creating Coles Myer Ltd (**Coles Myer**) in what was, at the time, the largest merger in Australian history, forming a diversified Australian retail giant. Myer continued to unify its presence, rebranding the remaining Grace Brothers stores as Myer in 2004. The same year, Myer launched the MYER one loyalty program, which rewarded customer loyalty and offered benefits to frequent shoppers in an effort to foster customer engagement, gain insights into consumer behaviour, and drive sales growth by incentivising repeat purchases. In 2006, after more than two decades as part of Coles Myer, the Myer stores were divested to Newbridge Capital, a United States (**US**) based private equity firm, for $1.4 billion.[66] The divestment allowed Myer to operate its department stores independently once again. In September 2009, Myer was listed on the ASX.[67]

Myer sought to boost growth in its specialty brands though the acquisition of a 65% interest in sass & bide in February 2011 and Marcs and David Lawrence in May 2017. The remaining 35% of sass & bide was acquired in October 2013.

The years following its listing have seen Myer face challenges with declining sales due to a weak consumer market and the rise of online retailing. In 2011, Myer's profits (at the EBITDA and EBIT level) fell for the first time since listing, with the rise of global fast-fashion competitors (such as Zara and H&M) and eCommerce platforms significantly impacting Myer's market share. In response, Myer commenced a strategic review and launched a five-year turnaround strategy in 2015 called "New Myer", underpinned by a $600 million investment to deliver significantly improved productivity, a re-energised range of products, and improved omni-channel customer experience and capability, particularly in online and MYER one channels.[68] The strategy included the rationalisation of store footprint, including the closure of underperforming stores, reduction and optimisation of floor space in others, as well as investment in flagship stores.

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62 IBISWorld; G4251 Clothing Retailing in Australia, September 2024.
63 IBISWorld; G4260 Department Stores in Australia, August 2023.
64 Anthea Hyslop, 'Myer, Simcha (Sidney) (1878–1934)', Australian Dictionary of Biography, National Centre of Biography, Australian National University, https://adb.anu.edu.au/biography/myer-simcha-sidney-7721/text13525, published first in hardcopy 1986, accessed online 4 November 2024.
65 Key events in Myer's history, The Sydney Morning Herald, March 2006.
66 Key events in Myer's history, The Sydney Morning Herald, March 2006.
67 Myer Holdings Limited (ASX:MYR) - Float & IPO Details - Intelligent Investor
68 Myer "New Myer", ASX and media release, 1 September 2015.

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In 2017, Premier, chaired by prominent Australian retailer Solomon Lew, began acquiring a significant stake in Myer, and by March 2017 had acquired over 10% of Myer Shares.[69] Premier has since remained a significant shareholder in Myer.

Despite implementation of the "New Myer" strategy, sales and profits continued to fall between FY16 and FY18 as competition intensified and online retailing increased in popularity. However, Myer's metrics in digital and online saw significant improvement, with online sales, profitability, click and collect take up, website traffic and conversion all increasing.[70] In June 2018, Myer completed a detailed review of the business, which resulted in the launch of the "Customer First Plan" (**Customer First Plan**), a strategic framework designed to refocus Myer on delivering customer-centric services and strengthening brand partnerships (discussed in further detail in Section 8.2 of this report). As part of the Customer First Plan, Myer further rationalised its store footprint, which included the hand back of floors at certain department stores and the closure of several department stores leading to 14.1% of floor space reduction between 1H18 and FY23.[71]

The COVID-19 pandemic in 2020 and 2021 significantly affected Myer, as all department stores were forced to close for periods of time and employees were stood down. However, the company saw rapid growth in online sales as customers turned to digital shopping platforms, with FY20 group online sales up 61.1% compared to FY19.[72] By FY21, Myer had returned to NPAT profitability as a result of strong online sales, improved cost controls, and the re-optimisation of its department store network.[73]

Since FY21, Myer has also benefited from a return to in-store shopping post- COVID-19 pandemic, as foot traffic has increased in major shopping centres. Myer's FY23 results included its highest sales on record. However, it has also faced several macroeconomic challenges that have impacted its performance, including a consumer spending slowdown due to rising interest rates, inflation and higher cost of living, which have slowed sales growth since Q4 FY23, as well as labour shortages and associated wage pressures, rising cost of goods and supply chain issues, which have increased operating expenses and impacted profit margins.

On 14 March 2024, alongside the release of its 1H24 results, Myer announced that it had appointed advisors to commence a strategic review of the combined sass & bide, Marcs and David Lawrence (**SBMDL**) brands, including assessing external interest in purchasing the businesses, following recent comparable transactions that demonstrated increased global and local interest in apparel businesses.

8.2 Strategy

Throughout FY24, Myer was focused on delivery against the Customer First Plan. In June 2024, Myer announced a strategic review (**Strategic Review**) that will lead to the development of a new strategy to reposition the business for growth.

Leadership Changes

On 14 March 2024, Myer announced that independent Non-Executive Director Olivia Wirth would be appointed as Executive Chair to drive the company's next phase of growth. Ms Wirth was previously the Chief Executive Officer of Qantas Loyalty and led the development of the division into one of Australia's most successful customer engagement and online retailers. Her appointment, and subsequent appointment of other executive management personnel from the Qantas Loyalty division, is expected to bring a strong focus on customer experience, brand loyalty and digital transformation, leveraging experience in customer analytics and brand management.

Strategic Review

In June 2024, alongside its approach to Premier on the potential combination with Apparel Brands, Myer announced a Strategic Review, following the commencement of Olivia Wirth as Executive Chair. The Strategic Review is intended to reposition the business for growth with a focus on the evolution of Myer's

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[69] Myer "Notice of initial substantial shareholder", 28 March 2017.
[70] Myer "Strategy Update", ASX and media release, 1 November 2017.
[71] Myer FY23 Results – Release and Presentation, 14 September 2023.
[72] Myer FY20 Results – Release and Presentation, 10 September 2020.
[73] Myer FY21 Results – Release and Presentation, 16 September 2021.

future customer and product offer, reimagining of its specialty and exclusive brands portfolio, leveraging its leading loyalty and partnership ecosystem and delivering an improved and more connected customer experience across stores and online.

While the Strategic Review is still ongoing, Myer has made the decision to retain ownership of its specialty brands sass & bide, Marcs and David Lawrence.[74]

As part of its FY24 results, Myer identified the following opportunities for sustainable growth:[75]

- build on strongholds in the beauty and apparel (men's and women's) categories and develop the homewares category;
- grow the eCommerce share of sales and leverage omni-channel capabilities, including improving and expanding digital capabilities, leveraging customer data to improve customer experience and increase sales;
- broaden appeal to younger consumers by refreshing the brand's image and offerings;
- grow Myer Exclusive Brands, particularly in the womenswear and beauty categories;
- maximise the potential of MYER one by attracting new customers (especially male and younger customers), increasing engagement and building partnership ecosystem to enhance sales and customer retention;
- enhancing floor space productivity and improving in-store experience; and
- strong cost control, particularly in promotional spending, reducing shrinkage (i.e. theft), inventory management and supply chain management.

8.3 Operations

8.3.1 Overview

Myer operates a network of 56 department stores, eight specialty retail stores and four distribution centres across Australia, as well as an integrated online shopping platform (myer.com.au) and omni-channel sales offering. The company's core product offering spans five categories, including womenswear, menswear, kids[76], beauty and home, catering to a diverse range of customers from value-seeking shoppers to those seeking premium products and brands. Myer's primary focus is the Australian market, with additional support for its sourcing needs through a dedicated office in Hong Kong which allows it to manage its supply chain more effectively. Its customer base is anchored by its MYER one loyalty program, which has grown to over 10 million members (76% digitally contactable) and over 4 million active customers[77] as at 27 July 2024, helping Myer maintain customer engagement, loyalty, and gain insights into shopping trends.

8.3.2 Business Model

Myer primarily generates revenue through direct sales to customers in department stores and online. The company's core product offering includes both National Brands and higher margin Myer Exclusive Brands, which provides customers with products that are unique and exclusive to Myer. In addition, Myer generates revenue from concession sales, where independent brands operate their own stores within Myer department stores benefiting from the established foot traffic, while Myer collects a portion of the sales revenue. Myer also own the sass & bide, Marcs, and David Lawrence brands, referred to collectively as specialty brands, which are currently operated on a stand-alone basis and distinct from the core Myer department store and ecommerce business.

To support this multi-channel business model, Myer operates four distribution centres strategically located across New South Wales, Victoria, Queensland, and Western Australia. This logistical network supports both the retail stores and ecommerce fulfillment, enabling Myer to offer a superior shopping experience. It

74 Myer 2024 Preliminary Annual Report.
75 Myer FY24 Results – Release and Presentation, 20 September 2024.
76 Includes kids' apparel and toys.
77 MYER one customers who have shopped in the prior 12-month period.

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has launched a new National Distribution Centre that is intended to provide greater efficiencies across the network and improve customer experience.

8.3.3 Product categories

Myer's product offering can be grouped into the following broad categories:

- **womenswear**: women's clothing, shoes and accessories;
- **menswear**: men's clothing, shoes and accessories;
- **kids**: kid's clothing, shoes and accessories;
- **beauty**: makeup, skincare, fragrances and other personal care products;
- **home**: household and kitchenware appliances, bedding, dining and décor products; and
- **other**: including electronics, toys, and other general merchandise.

The product offering ranges from affordable products targeting value shoppers to luxury and designer brands targeting premium shoppers.

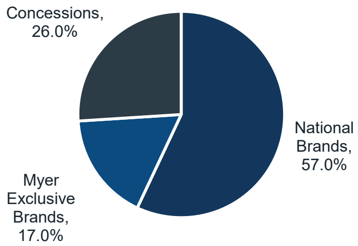
8.3.4 Myer sales mix

Myer's sales mix reflects the fact that it sources its products in three different ways:

- **National brands** refers to the sales of brands that are owned, developed and designed by third-parties and supplied to Myer on wholesale terms and on a non-exclusive basis;
- **Myer Exclusive Brands (private label) and specialty brands** refers to the sales of brands that are owned, developed and designed by Myer (refer to Section 8.3.5 of this report for further details). Myer Exclusive Brands are sold exclusively through Myer, whereas specialty brands are also sold outside of Myer (i.e. sass & bid, Marcs and David Lawrence). Of the three sources, the sale of Myer Exclusive Brands provides the highest gross profit and margin, and the highest gross profit per square metre of store space; and
- **Concession** sales refer to the sales of concession operators within Myer stores. Concession brands own their inventory and provide staffing through brand partners, while benefiting from the existing foot traffic and infrastructure. In return, Myer earns a percentage of their sales. Of the three sales categories, concession offers the lowest gross margin.

The department store sales mix in FY24 is illustrated in the following chart.

FY24 Department Store Sales Mix



Source: Myer Results Presentations.

Myer's department store sales mix has experienced a shift in recent years, National Brands and Myer Exclusive Brands decreasing as a percentage of sales from 59.3% and 18.3% respectively in FY22, to 57.0% and 17.0% respectively in FY24. Conversely, sales mix from concessions has increased from 22.4% in FY22 to 26.0% in FY24, with the increase due to the successful roll out of new brands - Country Road,

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Commonry and Unison.[78] Generally speaking, a higher portion of concession sales negatively impacts Myer's gross margin, as concession sales typically have the lowest gross margin of the three categories of sales mix, although concessions are a driver of foot traffic. As discussed in Section 8.2 of this report, Myer has indicated they are focussing on expanding its exclusive brands and private label portfolio, identifying that these products deliver the highest gross profit and gross profit per square metre both improving Myer's profitability margins and providing product differentiation.

8.3.5 Myer Exclusive Brands (Private Label) and Specialty Brands

Exclusive brands

Myer offers a mix of brands that are owned, developed and designed by Myer that are sold exclusively through Myer. This helps to differentiate Myer by attracting customers seeking products that they can't find elsewhere, which also gives Myer great control over pricing and margins.

Examples of Myer Exclusive Brands

Category	Key Brands
Womenswear	Regatta, Basque, Tokito, Piper, Grab
Menswear	Blaq, Reserve, Kenji, Maddox
Kids	Milkshake, Sprout, Jack & Milly, Tilii
Beauty	n/a
Home	Heritage, Vue, The Cooks Collective

Source: Myer. Note: This table is not exhaustive of all Myer Exclusive Brands.

Specialty brands

Myer owns and operates specialty brands including sass & bide, Marcs & David Lawrence. These labels are not exclusive to Myer and are sold in other department stores. Although they have historically been operated on a stand-alone basis and distinct from Myer's core department store and ecommerce business, the intention is that in the future these brands will be further integrated into Myer's operations.

Brand	Description
sass & bide	sass & bide is an Australian luxury women's fashion label known for its bold and eclectic designs catering to customers who desire unique, high-quality and trendy clothing. sass & bide produces ready-to-wear and accessories, spanning daily dressing to special/formal attire targeting premium shoppers.
MARCS	Marcs is an Australian fashion brand offering modern and versatile clothing brands for men and women. Marcs clothing includes a mix of casual wear, workwear and more formal pieces, and is priced in the mid-range, targeting a wide range of customers.
DAVID LAWRENCE	David Lawrence is an Australian fashion band popular among professional women desiring flattering tailored silhouettes, quality fabrics and enduring designs. Their collections include workwear, casual wear and formal/occasion wear. David Lawrence is considered a mid to high end brand.

Source: Company websites.

As discussed in Section 8.2 of this report, in 2024 Myer conducted a strategic review of these brands, initially considering a sale but ultimately choosing to retain them, recognising that in the three periods prior to FY24 they had a combined track record of positive earnings contribution.[79] Following this decision, Myer

[78] Myer HY24 Results – Release and Presentation, 13 March 2024.
[79] Myer Full Year 2024 Results Presentation.

commenced a reset of sass & bide to improve its performance, closing ten stand-alone stores (four now remain) and enhancing its presence in Myer department stores.[80] Marcs and David Lawrence are also undergoing expansion within Myer department stores, aiming to increase in-store visibility and brand appeal.[81]

8.3.6 Department store network

Myer has a national network of 56 department stores and eight specialty stores located across NSW, Victoria, Tasmania, Queensland, South Australia Western Australia and the ACT.

To support its department store network (as well as online shopping platform), Myer has four distribution centres located in NSW, Victoria, Queensland and Western Australia. These distribution centres, particularly the National Distribution Centre located in Victoria which, are central to the factory to customer strategy aimed at servicing the growing online consumer base. Myer's distribution centres also, through innovation and automation, allow for more efficient of stock to their stores, which improve Myer's inventory management, reducing mark down requirements and maximising sell through.

Myer's national store and distribution centre network is depicted in the following figure.

Myer's National Department Store and Distribution Centre Network

Source: Myer.

As outlined in Section 8.2 of this report, Myer continually reviews the locations and number of department stores, as well as retail floor space, in order to optimise space with a view of driving greater profitability and productivity. Since FY18, Myer has reduced its department store footprint from 62 stores to 56 as at 27 July 2024, while its in-store sales productivity[82] has increased 7.0% over the same period.[83] More recently, Myer has delivered productivity improvements through optimisation of space, closing stores in Brisbane (FY24) and Frankston (FY23). Store refurbishments were completed at Chermside, Merion, Tea Tree Plaza and Ballarat, with works to improve category and brand flow having commenced at the Northland and Doncaster stores.[84] The weighted average lease expiry (**WALE**) of Myer's department store leases as at 27 July 2024 was 8.5 years.[85]

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80 Myer Full Year 2024 Results Presentation.
81 Myer Full Year 2024 Results Presentation.
82 Department Stores only.
83 Myer Full Year 2024 Results Presentation.
84 Myer Full Year 2024 Results Presentation.
85 Myer Full Year 2024 Results Presentation.

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In Store Technology

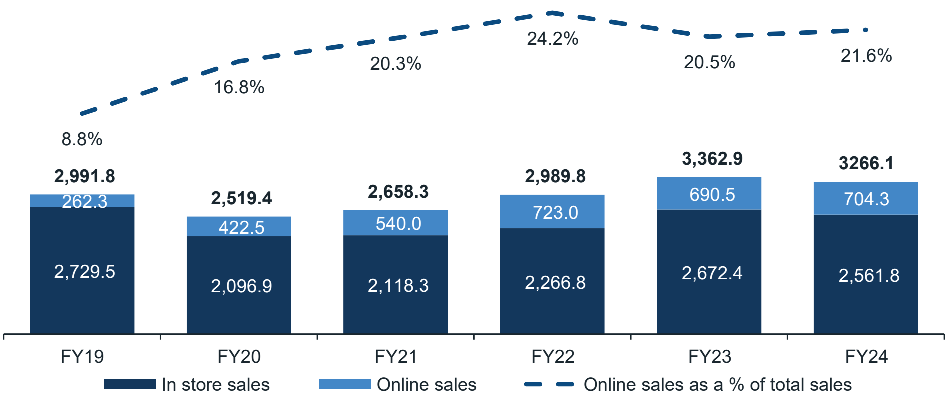
Myer uses in-store technology to improve customer service, reduce costs, and increase sales. Since FY22, Myer has made several changes and updates to its in-store technology:

- introducing a one device strategy, which has seen all core business applications bundled into a one mobile device, used by staff in the daily operations. These mobility devices are aimed at improving receiving and dispatch, stock take, online fulfilment and inventory enquiry/pricing as well as enabling Myer staff to communicate with one another across the store;
- introducing the M-Metrics team member application, which provides staff with real time digital communications, product knowledge and performance recognition. The application also displays customer feedback and provides a wide range of learning resources; and
- commencing the roll out of new point of sale registers which will improve the customers' experience by reducing transaction times.[86]

8.3.7 Online shopping / eCommerce

The COVID-19 pandemic had a considerable impact on Myer's business. In March 2020, Myer made the decision to close all 60 stores and stand down large numbers of staff for the majority of April and May, ceasing in-store sales for periods of time. In addition, upon reopening, foot traffic had reduced considerably, particularly in CBDs. These circumstances led to a noticeable shift to online sales, as evidenced by the following chart.

Myer In-Store and Online Sales ($ millions)



Source: Myer.

Myer omni-channel customers refer to customers who shop in both in-store and online, representing 25.0% of total customers in FY24, with online only customers accounting for 10.0% and in-store only accounting for 65.0%. Omni-channel customers spend 2.4 times more than in-store customers. This combined with the increasing portion of total sales being online (21.6% in FY24), represents a key opportunity for Myer.[87]

Myer is aiming to improve its online platform and their customers experience. Myer has identified that the online penetration differs significantly between category and product, representing another potential source of growth for the business.

8.3.8 MYER one

The MYER one program is the loyalty program of Myer and is one of the most significant loyalty programs in the Australian retail industry with 10.4 million members as at 27 July 2024. It was introduced in August

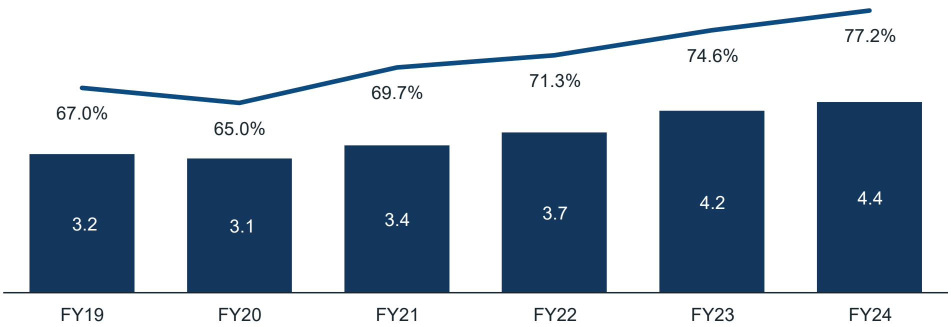
[86] Myer 2022 Annual Report.
[87] Myer Full Year 2024 Results Presentation.

2004, following the discontinuation of Coles Myer's shareholder discount card. The program provides stores. It is designed to deepen customer engagement with Myer, enhance brand loyalty, and drive sales through exclusive rewards and benefits.

MYER one operates as a multi-tiered structure to reward members based on the amount they spend annually at Myer. The four levels are Member, Silver, Gold and Platinum. Members (entry level) earn 2 MYER one Credits for every $1 spent at Myer, with every 1000 MYER one credits converting to a $10 reward. This point-based redemption system drives frequent visits and higher shopping basket sizes. Additional benefits, which increase with higher tiers, include early sale access, birthday rewards, free in-store gift wrapping, free standard delivery, and exclusive shopping events.[88] Customers can also earn additional points through partnerships with other retailers and services providers including, for example, a Myer Visa Card, expanding the program's reach.

Myer has experienced substantial growth in MYER one members, with its membership base expanding as the program expands and as customers see value in its benefits and rewards. This is depicted in the following chart.

MYER one Active[1] Members (millions) and Tag Rate[2] (%)



Source: Myer Results Presentations.
Notes:
1. Active members are MYER one members who have shopped in the last 12 month period.
2. Tag rate measures the percentage of total sales generated by members.

In FY24, Myer achieved its strongest engagement with MYER one program since its inception, as measured by the following metrics:

- increasing total MYER one members to 10.4 million, an increase of 706,000 on FY23, with over 50% of new members aged under 35. In addition, 76% of this membership base is digitally contactable;
- its highest ever number of active customers at 4.4 million and a tag rate of 77.2%;
- partnerships with Commonwealth Bank of Australia, American Express Company and Virgin Australia Holdings Limited; and
- MYER one customers spending 82% more compared to non-member customers.[89]

The MYER one program also gathers data on members' shopping habits, which has two key benefits:

- allowing Myer to tailor marketing efforts to each customer through targeted offers, product recommendations, or event and experience invitations; and
- the program serves as a tool for generating customer insights, enabling Myer to analyse purchasing patterns, understand preferences, and therefore optimise inventory strategies. Insights also inform decision making on product range, promotions and store layout.

[88] MYER one website.
[89] Myer Full Year 2024 Results Presentation.

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8.4 Financial performance

8.4.1 Historical financial performance – Post-AASB 16

Under AASB 16, operating leases are capitalised to the balance sheet and a corresponding liability is reflected. In the income statement, lease expenses are reflected in lease amortisation and interest cost, rather than in operating expenses. The following table summarises the financial performance of Myer for FY22, FY23 and FY24 on a post-AASB 16 basis.

Myer Financial Performance – Post-AASB 16 ($ millions)

	FY22 Actual	FY23 Actual	FY24 Actual
Total sales[1]	**2,989.8**	**3,362.9**	**3,266.1**
Concession sales	(606.2)	(748.3)	(780.3)
Sale of goods[2]	**2,383.6**	**2,614.6**	**2,485.8**
Sales revenue deferred under customer loyalty program[3]	(43.0)	(48.8)	(47.7)
Revenue from sale of goods	**2,340.6**	**2,565.8**	**2,438.1**
Concession revenue[4]	138.9	169.4	177.3
Other[5]	22.5	25.3	29.0
Cost of goods sold	(1,356.8)	(1,535.9)	(1,450.0)
Operating gross profit	**1,145.2**	**1,224.6**	**1,194.4**
Cost of doing business[6]	(745.2)	(824.1)	(834.7)
Underlying EBITDA[7]	**400.0**	**400.5**	**359.7**
Depreciation and amortisation[8]	(215.8)	(204.3)	(197.0)
Underlying EBIT[9]	**184.2**	**196.2**	**162.7**
Net finance costs	(98.9)	(91.5)	(87.3)
Profit before tax	**85.3**	**104.7**	**75.4**
Income tax expense	(25.1)	(33.6)	(22.8)
Net profit after tax	**60.2**	**71.1**	**52.6**
Implementation costs and individually significant items after tax[10]	(11.2)	(10.7)	(9.1)
Statutory net profit after tax attributable to Myer Shareholders	**49.0**	**60.4**	**43.5**
Growth			
Total sales growth	*12.5%[16]*	*12.5%*	*(2.9%)*
Group comparable sales growth[11]	*15.0%*	*3.3%*	*0.4%*
Online sales growth[12]	*34.0%*	*(4.5%)*	*2.0%*
Operating gross profit growth	*8.5%*	*8.6%*	*(1.3%)*
Cost of doing business growth	*11.9%*	*10.6%*	*1.3%*
Underlying EBITDA growth	*2.6%[16]*	*0.1%*	*(10.2%)*
Underlying EBIT growth	*8.0%[16]*	*6.5%*	*(17.1%)*
NPAT growth	*5.6%*	*23.3%*	*(28.0%)*
Margins			
Concession revenue margin[13]	*22.9%*	*22.6%*	*22.7%*
Operating gross margin[14]	*38.3%*	*36.4%*	*36.6%*
Cost of doing business margin[15]	*24.9%*	*24.5%*	*25.6%*
Underlying EBITDA margin	*13.4%*	*11.9%*	*14.8%*
Underlying EBIT margin	*7.9%*	*7.6%*	*6.7%*
NPAT margin	*2.1%*	*2.4%*	*1.8%*

Source: Myer Preliminary Final Reports, Investor Presentations and Results Announcements; Kroll Analysis. Table may not add due to rounding.

Notes:

1. Total sales is revenue from sale of goods (including from both Myer and concession operators) and prior to the deferral of revenue under the MYER one customer loyalty program.
2. Sale of goods includes only Myer sales and excludes concession sales on the basis that inventory sold is owned by the concession operator at the time of sale and not by Myer.

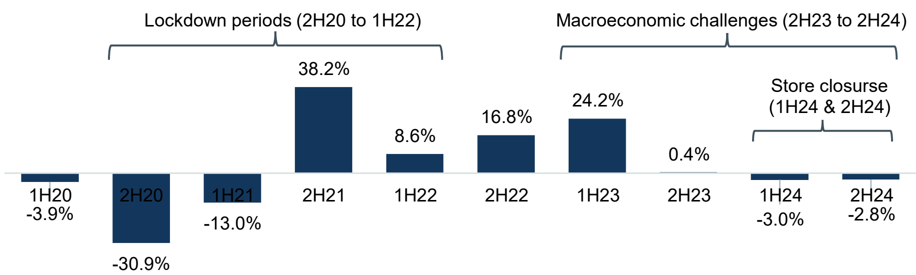
Notes (continued):

3. Award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value. Revenue is recognised when the points are redeemed.
4. Myer's share of concession revenue that is recognised as revenue at the time of sale.
5. Other includes revenue in relation to gift card non-redemption income and forfeited lay-by deposits.
6. Cost of doing business includes selling and administration expenses, less depreciation and amortisation and excludes implementation costs and individually significant items.
7. Underlying EBITDA is earnings before interest, tax, depreciation and amortisation and excludes implementation costs and individually significant items.
8. Excludes implementation costs and individually significant items.
9. Underlying EBIT is earnings before interest and tax and excludes implementation costs and individually significant items.
10. Individually significant items includes restructuring, space exit costs and impairment of assets.
11. Comparable sales excludes the impact of store openings and closures and stores subject to refurbishment. In FY22 and FY23, comparable sales excludes the impact of stores closed during the COVID-19 pandemic. Where a store was closed mid-week, the week in which the store closed has been removed. On reopening, the store has been included from the first full week of trade. Comparable sales also excludes the 53rd week of FY21.
12. Group online sales includes sass & bide and David Lawrence. Excludes sales via in-store iPads.
13. Concession revenue margin is calculated as concession revenue divided by concession sales.
14. Operating gross margin is operating gross profit divided by total sales.
15. Cost of doing business margin is cost of doing business divided by total sales.
16. Calculated relative to FY21. FY21 is a 53 week period, whereas all other years are 52 week periods. FY21 adjusted to remove the impact of the JobKeeper benefit in 1H21.

In relation to Myer's income statement, Kroll notes the following:

- Myer's sales are seasonal with a majority of sales occurring in the first half of the financial year (i.e. the periods including Christmas). The following trends are observed for FY22 to FY24:
  - Myer experienced strong sales growth of 12.5% in FY22, with 2H22 representing the first period of no mandated lockdowns and includes 34.0% online sales growth. Myer's total sales in 2H22 exceeded the last pre-COVID 19 period (2H19) by 11.5%, representing a 3.7% CAGR from 2H19 to 2H22. After adjusting for lockdowns, growth in group comparable sales in FY22 was even stronger at 15.0%;
  - in FY23, Myer again experienced total sales growth of 12.5%, with no mandated lockdowns in FY23. After adjusting for lockdowns in 1H22, group comparable sales growth in FY23 was 3.3% and includes a 4.5% decline in online sales. In 1H23, total sales increased by 24.2% and comparable sales were up 4.5% despite macroeconomic headwinds. Total sales growth slowed to 0.4% in 2H23 as a result of the deterioration in trading conditions in Q4 as challenging macroeconomic conditions impacted consumer demand; and
  - in FY24, total sales declined by 2.9% as a result of significant closures including the Frankston and Brisbane City stores and the temporary closure of Werribee for part of the period as well as continued challenging macroeconomic conditions. After adjusting for store closures, group comparable sales increased modestly by 0.4%, reflecting the continued impact of challenging macroeconomic conditions.

Myer Semi-annual Total Sales Growth



Source: Myer Investor Presentations.

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- operating gross margin:
  - operating gross margin declined by 188 basis points (**bps**) from 38.3% in FY22 to 36.4% in FY23 and reflects the impact of a shift in mix to concession sales of (44) bps, foreign exchange impacts (36) bps, other rate impacts including promotional discounting (64) bps and shrinkage (44) bps;
  - in FY24, operating gross margin increased marginally by 15 bps to 36.6%. Excluding a reclassification adjustment of delivery income,[90] underlying gross margin declined by 12 bps in FY24 reflecting a further shift in mix towards concession sales (which generate lower margins at around 22.6% to 22.9%[91]) and the underperformance of Myer specialty brands due to the weak trading environment and additional discounting, with lower operating gross profit offset by lower inventory, labour costs and other costs including shrinkage (theft). This was partially offset by rate impacts including improved international freight rates, a focus on improving intake margin[92] and an increase in supplier deals which partially mitigated a marginal increase in markdowns. Overall, operating gross margin was fairly resilient even though customers were increasingly focused on value;
- cost of doing business margin:
  - in FY23, cost of doing business margin decreased by 42 bps, despite further investment in operating expenditure (employee cost increases, operating costs (predominantly variable costs including wage investments) and support office (investment in digital, IT, Loyalty and National Distribution Centre));
  - cost of doing business margin increased by 130 bps in FY24, or 20 bps if reclassification of delivery income is excluded. An increase in employee costs (including an increase in award rates, superannuation and other remuneration and incentive changes) and higher support office (IT costs and project operating expenditure) were offset by operational cost reductions resulting from store closures and volume related variable expenses;
- Underlying EBITDA remained flat in FY23 as the cost of doing business increased more rapidly than operating gross profit. In FY24, Underlying EBITDA declined by 10.2% as operating gross profit declined while the cost of doing business increased marginally;
- net finance costs mainly relate to lease liabilities, which declined in FY23 and FY24 as additions, modifications and other reassessments were less than depreciation and as a result of a $2.2 million impairment in FY24. Other net finance costs declined in FY23 as a result of an increase in net cash in FY22. Myer also benefited from rising interest rates from May 2022 to November 2024 due to its net cash position;
- net profit after tax increased by 23.3% in FY23, reflecting flat Underlying EBITDA and declines in depreciation and amortisation and net finance costs. In FY24, statutory net profit after tax declined by 28.0%, as Underlying EBITDA declined more rapidly than depreciation and amortisation and finance costs. Approximately half of this decline was attributable to the underperformance of the Myer specialty brands; and
- basic EPS increased from 6.0 cents in FY22 to 7.4 cents in FY23, before decreasing to 5.2 cents in FY24. Myer's payout ratio was 66.7% in FY22 and 67.3% in FY24. Dividends in FY23 includes a 4.0 cents per share interim special dividend, which reflected confidence in the momentum being built in FY23 as a result of a strong return to physical retail after COVID-19 pandemic lockdowns were lifted, with department store sales up 37.3% in 1H23 and up 16.1% in the eight weeks post-Christmas. Excluding the special divided, the payout ratio in FY23 was 67.6%.

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90 Reclassification of $9.1 million of delivery income from cost of doing business to operating gross profit.
91 Calculated as concession revenue divided by concession sales.
92 Intake margin is the margin received when a product is sold at full price without any discount.

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Myer Earnings per Share and Dividends

	FY22 Actual	FY23 Actual	FY24 Actual
Weighted average number of shares (millions)	820.6	820.0	829.3
Basic earnings per ordinary share (cents)	6.0	7.4	5.2
Dividends per ordinary share (fully franked, cents)	4.0	9.0	3.5
Dividend payout ratio[1]	66.7%	121.6%	67.3%

Source: Myer Preliminary Final Reports, Investor Presentations and Results Announcements.
Note 1: Calculated as dividends per ordinary share divided by EPS.

8.4.2 Historical financial performance – pre-AASB 16

Under AASB 16, EBITDA excludes the cash impact of operating leases, which are instead reflected in amortisation and interest costs, whereas on a pre-AASB 16 basis, EBITDA includes the cash impact of operating leases. In its annual results presentations, Myer discloses pre-AASB 16 income statements. The main adjustments to convert the income statement from a post AASB 16 basis to a pre-AASB 16 basis is a reallocation of operating lease expenses from lease amortisation and finance costs to cost of goods sold and cost of doing business. The following table summarises the financial performance of Myer for the three years ended 27 July 2024 on a pre-AASB 16 basis.

Myer Financial Performance – Pre-AASB 16 ($ millions)

	FY22 Actual	FY23 Actual	FY24 Actual
Total sales	**2,989.8**	**3,362.9**	**3,266.1**
Revenue from sale of goods	**2,340.6**	**2,565.8**	**2,438.1**
Operating gross profit	**1,144.9**	**1,223.9**	**1,194.8**
Cost of doing business	(957.4)	(1,036.8)	(1,042.3)
Underlying EBITDA	**187.5**	**187.1**	**152.5**
Depreciation and amortisation	(85.1)	(77.0)	(76.9)
Underlying EBIT	**102.4**	**110.1**	**75.6**
Net finance costs	(12.5)	(7.9)	(8.1)
Profit before tax	**89.9**	**102.2**	**67.5**
Income tax expense	(26.5)	(32.8)	(20.4)
Net profit after tax	**63.4**	**69.4**	**47.1**
Implementation costs and individually significant items after tax	(13.2)	(10.7)	(9.2)
Net profit after tax attributable to Myer Shareholders	**50.2**	**58.7**	**37.9**
Growth			
Total sales growth	*12.5%*	*12.5%*	*(2.9%)*
Operating gross profit growth	*8.4%*	*6.9%*	*(2.4%)*
Cost of doing business growth	*9.2%*	*8.3%*	*0.5%*
Underlying EBITDA growth	*4.8%*	*(0.2%)*	*(18.5%)*
Underlying EBIT growth	*22.5%*	*7.5%*	*(31.3%)*
NPAT growth	*10.6%*	*16.9%*	*(35.4%)*
Margins			
Operating gross margin	*38.3%*	*36.4%*	*36.6%*
Cost of doing business margin	*32.0%*	*30.8%*	*31.9%*
Underlying EBITDA margin[1]	*8.0%*	*7.3%*	*6.3%*
Underlying EBIT margin[1]	*4.4%*	*4.3%*	*3.1%*
NPAT margin[1]	*2.7%*	*2.7%*	*1.9%*

Source: Myer Results Presentations; Kroll Analysis. Table may not add due to rounding.
Note 1: Calculated based on revenue from sale of goods excluding concession sales.

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8.4.3 Outlook

Kroll has also considered broker forecasts. As far as Kroll is aware, Myer is currently covered by two brokers with only one broker publishing a report following the release of the FY24 financial results on 20 September 2024 providing forecasts for Myer on a stand-alone basis. Myer broker forecast for FY25, FY26 and FY27 is summarised as follows.

Myer Broker Forecast ($ millions) pre-AASB 16

	Actual	Forecast		
	FY24	FY25	FY26	FY27
Total sales[1]	**3,266.1**	**3,263.0**	**3,406.0**	**3,482.0**
Underlying EBIT[2, 3]	**75.6**	**69.9**	**71.9**	**75.9**
Net profit after tax	**47.1**	**51.0**	**50.0**	**51.0**
Growth				
Total sales growth	*(2.9%)*	*(0.1%)*	*4.4%*	*2.2%*
Underlying EBIT growth	*(31.3%)*	*(7.5%)*	*2.9%*	*5.6%*
NPAT growth	*(32.1%)*	*8.3%*	*(2.0%)*	*2.0%*
Margins				
Underlying EBIT margin[4]	*2.3%*	*2.1%*	*2.1%*	*2.2%*
NPAT margin[5]	*1.4%*	*1.6%*	*1.5%*	*1.5%*

Source: Broker report, Kroll analysis.
Notes:
1. Total sales is revenue from sale of goods (including from both Myer and concession operators) and prior to the deferral of revenue under the MYER one customer loyalty program.
2. Underlying EBIT is earnings before interest and tax and excludes implementation costs and individually significant items.
3. Broker forecasts were on a post-AASB 16 basis. To reach pre-AASB 16 forecasts, Kroll has assumed that the difference in EBIT resulting from the different accounting treatment will remain constant throughout the forecasts and therefore has decreased each forecast by the FY24 actual difference of $87.1 million.
4. Underlying EBIT margin is calculated as Underlying EBIT / Total sales. Brokers do not include net sales.
5. NPAT margin is calculated as NPAT / Total sales.

With regard to the Myer broker forecast, we note the following:

- the broker downgraded their sales growth outlook following the release of Myer's FY24 financial results, expecting flat sales for FY25. The broker cited the easing of cost inflations being offset by margin compressions;
- the broker expects a 4.4% increase in sales in FY26, with the recovery reflecting higher wages and a greater number of Australians employed;
- EBIT increases at a CAGR of 0.1% over the forecast period; and
- the broker's long-term outlook for discretionary retail includes intense competition amongst retailers, following the continued proliferation of Amazon and new Chinese online entrants Temu and Shein, leaving Apparel retailers particularly exposed. The broker cites potential upsides if the MYER one loyalty program can boost sales.

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8.5 Financial position

The following table summarises the financial position of Myer as at 27 January 2024 and 27 July 2024.

Myer Financial Position ($ millions)

	As at 27 January 2024 Actual	As at 27 July 2024 Actual
Debtors and prepayments	40.0	32.9
Inventory	373.1	368.5
Current tax assets/(liabilities)	(13.3)	3.2
Creditors, accruals and provisions	(484.2)	(417.9)
Net working capital	**(84.4)**	**(13.3)**
Property, plant and equipment (net)	329.3	317.4
Right-of-use assets	1,103.5	1,038.5
Intangibles (brands and software)	306.8	305.8
Deferred tax assets (net)	124.9	127.2
Derivative financial instruments (net)	3.5	4.3
Other non-current assets	1.1	1.4
Provisions	(73.4)	(73.0)
Total funds employed	**1,711.3**	**1,708.3**
Cash	272.9	176.0
Debt	(61.2)	(62.2)
Net cash (excluding lease liabilities)	**211.7**	**113.8**
Lease liabilities	(1,639.4)	(1,567.1)
Net borrowings (including lease liabilities)	**(1,427.7)**	**(1,453.3)**
Net assets attributable to Myer Shareholders	**283.6**	**255.0**
Statistics		
Myer Shares on issue at period end (million)	*831.8*	*831.8*
Net assets per Myer Share[1]	*$0.34*	*$0.31*
Gearing ratio (excluding lease liabilities)[2]	*(294.4%)*	*(80.6%)*
Gearing ratio (including lease liabilities)[3]	*83.4%*	*85.1%*

Source: Myer Preliminary Final Reports, Investor Presentations and Results Announcements; Kroll Analysis.
Notes:
1. Net assets per share is calculated as net assets divided by number of Myer Shares at period end.
2. Gearing ratio (excluding lease liabilities) is calculated as net borrowings (exlcuding lease liabities) divided by the sum of net borrowings (excluding lease liabilities) and net assets.
3. Gearing ratio (including lease liabilities) is calculated as net borrowings (including lease liabilities) divided by total funds employed.

In relation to the financial position of Myer, we note:

- as with many retailers, Myer has relatively low investment in net working capital because of the largely cash nature of its sales (i.e. minimal debtors). The net working capital at the balance dates presented was negative;
- inventory is the main working capital component to manage. Inventory levels at January and July represent a low point in the inventory cycle, with peaks occurring in November and May when stock is purchased prior to the peak sales periods. MYER has achieved strong inventory management in a challenging macroeconomic environment, with the percentage of clearance inventory declining to 7.5% (from 8.0% at 29 July 2023) and 76% of inventory being aged under six months;
- property, plant and equipment of $317.4 million at 27 July 2024 mainly includes plant and equipment ($211.5 million) and fixtures and fittings ($77.6 million). Other components include freehold land ($9.6 million), freehold buildings ($10.6 million) and capital works in progress ($8.1 million);
- right-of-use assets are significant and include property leases ($1,035.4 million) and equipment leases ($3.1 million);

- intangible assets of $305.8 million includes brand names and trademarks ($240.2 million) (including $232.8 million of brand names arising from the acquisition of the Myer business and $7.4 million associated with the Marcs and David Lawrence business) and software ($65.6 million). Myer has nil goodwill, with all goodwill having been written off in FY18 and no subsequent acquisitions being made;
- excluding lease liabilities, Myer has a net cash position in the periods presented. Net cash is highly seasonal and consistent with the working capital trend, reaches a low in February and October following the payment for stock and is at its highest in December. As at 27 July 2024, balance sheet debt of $62.2 million reflected a $65.0 million fully drawn term floating rate loan (Tranche A) that expires on 3 December 2025, net of $2.8 million of capitalised borrowing costs. In addition, Myer had a $150 million revolving credit facility (Tranche B) that expires on 3 December 2025 which was undrawn at 27 July 2024, with working capital being managed through cash rather than the revolving credit facility. Including lease liabilities, however, Myer is highly leveraged with a gearing ratio of 85.1%; and
- other liabilities not reflected in the financial position include capital expenditure commitments ($21.2 million at 27 July 2024) and contingent liabilities of $30.7 million related to bank guarantees of which $16.3 million related to workers compensation.

8.6 Cash flow statement

The following table summarises the cash flow statement for Myer for FY22 to FY24.

Myer Cash Flow Statement ($ millions)

	FY22 Actual	FY23 Actual	FY24 Actual
Underlying EBITDA (post AASB 16)	**400.0**	**400.5**	**359.7**
Subtract: implementation costs and individually significant items	(13.2)	(15.4)	(12.2)
Add: non-cash impairments	2.4	3.1	5.9
Working capital movement	(2.3)	(1.4)	20.9
Operating cash flow (before interest and tax)	**386.9**	**386.8**	**374.3**
Income tax paid	(16.4)	(54.0)	(37.0)
Net interest paid (excluding interest on lease liabilities)	(7.3)	(5.7)	(5.2)
Interest on lease liabilities	(87.8)	(84.7)	(81.7)
Operating cash flow	**275.4**	**242.4**	**250.4**
Capital expenditure (net)	(44.2)	(74.5)	(69.4)
Free cash flow	**231.2**	**167.9**	**181.0**
Dividends	(12.3)	(86.2)	(33.2)
Repayment of borrowings (net)	(13.4)	-	-
Principal portion of lease liabilities paid	(139.6)	(142.8)	(151.5)
Other	(0.6)	(3.1)	-
Net cash flow	**65.3**	**(64.2)**	**(3.7)**
Net cash (borrowings) - opening	**178.6**	**243.9**	**179.7**
Net cash (borrowings) - closing	**243.9**	**179.7**	**176.0**
Statistics			
Cash conversion ratio[1]	*99.4%*	*99.7%*	*105.9%*

Source: Myer Preliminary Final Reports, Investor Presentations and Results Announcements; Kroll Analysis.
Note 1: Calculated as operating cash flow (before interest and tax) divided by Underlying EBITDA.

In FY22 and FY23, Myer generated strong and consistent earnings and operating cash flow (before interest and tax). In FY22, the cash conversion ratio remained close to 100% despite holding higher inventory compared with FY21 (which was impacted by the COVID-19 pandemic). Operating cash flow (before interest and tax) declined in FY24 as the sharp earnings decline was partially offset by disciplined working capital management, which resulted in a cash conversion ratio in excess of 100%.

The increase in tax paid in FY23 reflects the normalisation of instalments post the COVID-19 pandemic.

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Capital expenditure is presented net of landlord contributions. The components of Myer's capital expenditure include the following.

Myer Capital Expenditure ($ millions)

	FY22	FY23	FY24
Stores (redevelopments, brands and operations)	(40.6)	(47.2)	(36.6)
Online and Systems	(17.9)	(35.5)	(26.1)
Other (including supply chain initiatives)	(10.0)	(17.6)	(16.6)
Landlord contributions	24.3	25.8	9.9
Capital expenditure (net)	**(44.2)**	**(74.5)**	**(69.4)**

Source: Myer Preliminary Final Reports, Investor Presentations and Results Announcements; Kroll Analysis.

In FY22, Myer maintained a disciplined approach to capital expenditure, although there was increased investment in stores. Higher capital expenditure in FY23 reflects continued investment in stores and included the new Point of Sale and National Distribution Centre. Capital expenditure in FY24 reflects the completion of the Point of Sale and National Distribution Centre initiatives, offset by lower landlord contributions.

Myer's operating lease payments (interest and principal components) are substantial ($227.4 million in FY22, $227.5 million in FY23 and $233.2 million in FY24) and utilised between 58.8% and 62.3% of operating cash flow (before interest and tax).

In 1H23, strong free cash flow of $174.9 million was utilised to pay a 4.0 cents interim special dividend. As a result of the turnaround in sales in 4Q23, free cash flow was negative in 2H23. Overall, in FY23, Myer generated a net cash outflow, which reflected flat operating cash flow (before interest and tax), higher income tax paid (as tax payments normalised post the COVID-19 pandemic), the increase in capital expenditure and payment of the special dividend.

In FY24, working capital management, capital expenditure discipline and lower distributions (relative to FY23 which included the special dividend) resulted in net cash remaining steady.

8.7 Capital structure and ownership

As at 12 December 2024, Myer had the following securities on issue:

- 837,557,023 ordinary shares; and
- 12,863,597 unvested performance rights.

8.7.1 Myer Shareholders

As at 12 December 2024, Myer had 38,399 registered ordinary shareholders. The top 20 largest shareholders were primarily Premier, custodians and nominees and individual investors and accounted for 72.1% of Myer Shares. Retail investors (investors holding 100,000 Myer Shares or fewer) accounted for 99.2% of Myer Shareholders and 16.6% of Myer Shares on issue.

Myer has received notices from the following substantial shareholders.

Myer Substantial Shareholders as at 12 December 2024

Substantial Shareholder	Date of notice	Number of shares	Percentage[1]
Premier	22 April 2024	260,972,158	31.2%
Century Plaza Group	22 April 2024	260,972,158	31.2%
Perpetual Limited	24 October 2024	61,324,611	7.32%

Source: ASX Announcements.
Note 1: Percentages for Premier and Century Plaza Group are as at a current date. Other percentages are as at date of notice.

Premier has a 31.2% interest in Myer Shares. As a result of Century Plaza Group's 40.2% interest in Premier Shares, it had a deemed relevant interest in Myer of 31.2% pursuant to Section 608(3) of the Corporations Act.

8.8 Share price performance

In assessing Myer's share price performance, we have:

- analysed price and volume since 1 July 2021;
- compared Myer's share price movement to S&P/ASX 200 Consumer Discretionary Index; and
- assessed the VWAP and trading liquidity of Myer Shares for the period for the 12 months prior to 24 June 2024, being the last undisturbed trading day immediately prior to the announcement of Myer's non-binding proposal to explore a potential combination of Myer and Premier's Apparel Brands business, as well as the period from the announcement of the Combination until the Last Practicable Date.

8.8.1 Recent sharemarket trading

Myer's share price performance and the volume of shares traded over the period from 1 July 2021 to 12 December 2024 is illustrated as follows.

Myer Share Price and Volume from 1 July 2021 to 12 December 2024

Source: S&P Capital IQ, Kroll analysis.

During the illustrated period, Myer's share price has experienced significant fluctuations driven by a combination of external market conditions, industry thematics and company-specific developments described as follows:

- broader macroeconomic challenges, with the global economy emerging from a period of significant uncertainty in the COVID-19 pandemic, which saw abrupt shifts in consumer behaviour, and investors reacting quickly and, in some cases, severely to announcements of disruptions or reopening, particularly in the second half of 2021. More recently, inflation and rising interest rates have made Myer's share price more sensitive to economic reports that might signal changes in consumer confidence;
- discretionary retail sector trends and challenges, largely due to fluctuations in consumer confidence and discretionary spending trends that impact discretionary retail companies such as Myer more acutely than the broader market; and
- company-specific factors, including its traditional department store model that faces significant competition from both online-only retailers and specialty stores. In addition, Myer has had several key leadership changes and uncertainty surrounding possible mergers and acquisitions through the period. It's share price has also come off a significantly low base following the COVID-19 pandemic.

Between 1 July 2021 and 29 September 2021, Myer's share price increased by 66.7%, from $0.375 to close at $0.625. This growth likely reflected optimism for a post- COVID-19 pandemic recovery, as COVID-

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19 lockdowns and travel restrictions eased across Australia. A positive trading update on 12 August 2021 confirmed Myer's return to profitability, with 2H21 NPAT positive for the first time since 2H17 – a strong result despite continued COVID-19 impacts. Myer Shares closed 9.6% higher on the day of the announcement. The FY21 financial results, released on 16 September 2021, further showed a 27.7% increase in online sales, contributing to higher-than-expected revenue and earnings growth, pushing up Myer's share price by 16.7% on the day.

Following the September 2021 peak of $0.625, Myer's share price gradually declined over the remainder of 2021 as new COVID-19 variants emerged and restrictions remained in some regions, leading to renewed uncertainty for retailers. By 21 January 2022, Myer Shares had fallen to a low of $0.370. However, the 25 January 2022 trading update highlighting strong holiday sales helped the share price recover by 14.9% over the following week.

In March 2022, Myer's 1H22 financial results were well received by the market, with strong online sales growth that showed it to now account for approximately 27.9% of total sales. This boosted the share price by 24.4% on the day of the announcement, and despite reaching a high of $0.540 on 28 March 2022, rising inflation and increasing interest rates began to weigh the broader retail sector, sending Myer's share price to a low of $0.295 on 17 June 2022. This is despite Myer sales remaining resilient, with weak macroeconomic conditions only impacting financials from 4Q23, the reaction most likely reflected heightened investor uncertainty.

From mid-2022 Myer's share price commenced a period of strong growth, driven by a strong July 2022 trading update and FY22 results in September 2022, which showed strong sales growth, improved profitability, and the announcement that the company would pay its first dividend in five years. These positive signals contributed to substantial share price gains through to the end of the calendar year.

Myer's January 2023 trading update, which pointed to the strongest sales growth since 2004, boosted shares by 44.5% to $0.990 during the week to 30 January 2023. A share price peak of $1.130 followed the 9 March 2023 release of strong 1H23 results, which showed record sales growth, its highest half-year net profit in almost a decade, and included the announcement of an 8.0 cent per share dividend (including a special dividend of 4.0 cents per share) in recognition of continuing sales momentum, with department store sales growth in the 8 weeks post-Christmas up 16.1% over the corresponding prior period. Myer Shares then softened by 8.5% when trading ex-dividend.

By May 2023, Myer's share price declined to $0.565 on 22 June 2023 as inflation and interest rate concerns weighed on retail companies, with some market commentators stating that the March half was likely "as good as it gets" for discretionary retailers.[93] The decline was further compounded by the 5 June 2023 news that the CEO and Managing Director John King would retire in the second half of the year, signalling potential strategic uncertainty.

The trading update on 8 August 2023, indicated that total sales growth had slowed to 0.4% in 2H23 due to a deterioration in trading conditions in Q4 as macroeconomic conditions impacted consumer demand. Myer's share price fell by 14.1% to $0.610. The share price recovered to $0.700 on 5 September 2023, before it entered another period of decline coinciding with the release of the FY23 financial results, reflecting Myer's announcement of weaker sales, as well as broader challenges facing the retail sector driving a slowdown in consumer spending. The share price reached a low of $0.480 on 24 October 2023.

In early 2024, Myer introduced new strategies, including investments in technology and system productivity, and brand expansion efforts, which contributed to a recovery in the share price. The February trading update showing resilience in sales boosted shares by 14.3%, with additional gains following the 14 March 2024 announcement of Olivia Wirth as Executive Chair and media speculation surrounding the potential divestment of clothing brands sass & bide, Marcs and David Lawrence. Although macroeconomic concerns in April 2024 to June 2024 once again tempered gains, the June 2024 announcement of the Strategic Review, including a potential combination with Premier's Apparel Brands, prompted a 20.2% surge in the share price to $0.775, highlighting investor enthusiasm for a renewed growth strategy.

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[93] Source: "*Myer CEO John King to step down in 2024*", Australian Financial Review, 5 June 2023.

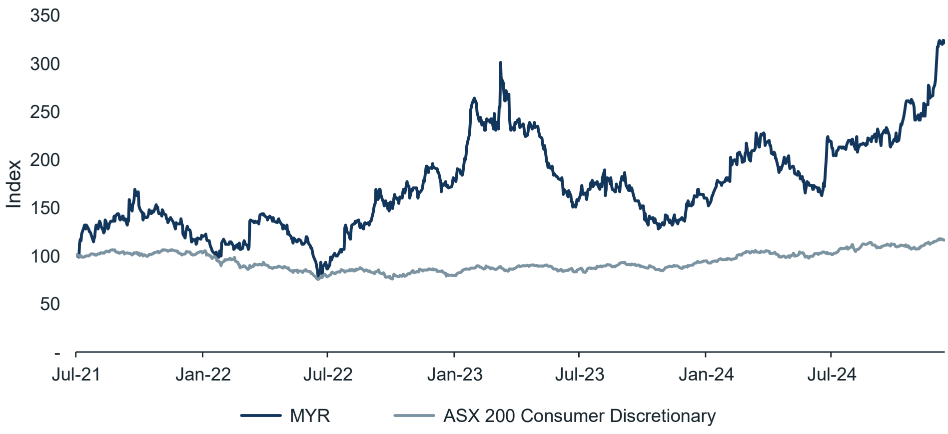
Myer announced actual results for FY24, which reflected an Underlying EBIT for FY24 that was 8.6% lower than the broker forecast. Following the announcement, the broker lowered its FY25 EBIT forecast by 12.8%, and the Myer Share price fell 8.6% to close at $0.80 on 25 September 2024.

Myer Shares then traded within the range of $0.765 and $0.875, but has strengthened post 7 October 2024 as investors anticipated the company's plans to outline results of the Strategic Review and a decision on its acquisition of Apparel Brands.[94] The Combination with Apparel Brands was announced to the market on 29 October 2024, with the Myer Share price reaching an intraday high of $1.05, its highest level since 13 March 2023, before settling to close at $0.955.

8.8.2 Relative share price performance

Myer's share price relative to the S&P/ASX 200 Consumer Discretionary Index from 1 July 2021 to 12 December 2024 is illustrated as follows.

Myer Share Price Performance Relative to Indices from 1 July 2021 to 12 December 2024



Source: S&P Capital IQ, Kroll analysis.
Note 1: Share and index prices were re-based to 100.0 as at 1 July 2021 to show relative price movement.

Myer's share price performance relative to the S&P/ASX 200 Retail Index and S&P/ASX 200 Index has shown notable fluctuations. In the period following COVID-19 pandemic lockdowns which were lifted in the second half of calendar 2021 (during the 1H22 Myer financial period), Myer outperformed the index, reflecting a strong rebound in consumer spending and in-store foot traffic as restrictions eased across Australia. The markets also reacted positively to Myer's trading updates and financial results in late 2022, which included significant growth in online sales and profitability improvements as the company leveraged its omni-channel strategy. This optimism drove Myer's share price higher than the indices and its peers, as investors anticipated continued recovery and stability in the physical sales channels of the retail sector post-COVID-19 pandemic. Additionally, Myer's special dividend announcement on 9 March 2023 signalled confidence in its recovery and prospects of a renewed growth strategy also added to its relative outperformance.

However, Myer has not outperformed the index for the entirety of the illustrated period, with periods of underperformance tied to the challenges of the broader economic landscape, which included rising inflation and interest rates. Cost-of-living pressures and reduced discretionary spending affected the entire retail sector, including Myer, during 2023. However, these concerns had largely dissipated by late 2023, as Myer's financial results remained resilient.

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[94] Source: *"Myer investors grow impatient over new strategy as growth stalls"*, Australian Financial Review, 20 September 2024.

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8.8.3 Liquidity

The volume of trading in Myer Shares, including the VWAP for various periods up to 21 June 2024, the last undisturbed trading day before the announcement of the Indicative Proposal on 24 June 2024, is set out as follows.

Myer Liquidity up to 21 June 2024

Period	Price ($)			Cumulative value ($ millions)	Cumulative volume (million)	Percentage of issued capital
	Low	High	VWAP			
1 Day	0.64	0.67	0.65	1.8	1.2	0.2%
1 Week	0.60	0.67	0.63	8.3	5.3	1.0%
1 Month	0.60	0.69	0.64	32.6	20.9	3.9%
3 Months	0.60	0.90	0.73	120.6	87.7	14.4%
12 Months	0.48	0.67	0.65	606.7	402.1	72.5%

Source: IRESS, Kroll analysis.
Note 1: Low and high prices refer to intra-day prices.

In the 12 months to 21 June 2024, 72.5% of Myer Shares were traded (105.4% of free float[95]). This level of trading would indicate that Myer Shares are liquid.

The volume of trading in Myer Shares, including the VWAP from the announcement of the Indicative Proposal on 24 June 2024 and for various other periods up to 12 December 2024, is set out as follows.

Myer Liquidity up to 12 December 2024

Period	Price ($)			Cumulative value ($ millions)	Cumulative volume (million)	Percentage of issued capital
	Low	High	VWAP			
1 Day	1.20	1.27	1.24	9.39	7.60	0.9%
1 Week	1.20	1.27	1.22	24.07	19.74	2.4%
1 Month	0.92	1.27	1.13	83.05	73.35	8.8%
124 trading days from 24 June 2024 to 12 December 2024	0.66	1.27	0.92	263.07	286.59	34.2%

Source: IRESS, Kroll analysis.
Note 1: Low and high prices refer to intra-day prices.

Annualising the trading volumes from 24 June 2024, 77.3% of Myer Shares were traded (112.3% of free float).[95] This level of trading would indicate that Myer Shares are liquid.

9 Profile of Apparel Brands

9.1 Background

The Apparel Brands business encompasses five of the seven brands under Premier's Just Group. These brands are Just Jeans, Jay Jays, Portmans, Dotti and Jacqui E (**Brands**).

The first of these brands, Just Jeans, was established in the 1970s. By 1989, Just Jeans had expanded to 200 stores in Australia with the first store in New Zealand opened in 1990. Over the next decade, Just Jeans acquired Jay Jays Jeans Warehouse in 1993 (later renamed Jay Jays), Jacqueline Eve in 1994 (renamed Jacqui E), and Peter Alexander in 2000.

Just Jeans was listed on the Australian Stock Exchange as Just Jeans Australia Limited in 1993. In 2002, it was acquired by Catalyst Investment Managers Pty Ltd and subsequently delisted. Under this new ownership, the company acquired Portmans in 2002. In 2004, the company was relisted as Just Group. At that time, Just Group had six brands,[96] 655 stores, and sales of $559.4 million. Just Group acquired Dotti in 2004 and Smiggle in 2007.

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[95] Free float has been calculated as 68.8% and excludes Premier's 31.2% interest in Myer.
[96] Including Peter Alexander.

Premier acquired Just Group in August 2008 for $808.9 million through a combination of cash and shares. At the time, Just Group operated 885 stores with sales totalling $813 million.[97] Premier adopted a turnaround strategy in FY11 which involved rejuvenating and reinvigorating all five Apparel Brands, initiating a cost efficiency program, expanding gross margin, growing the internet business and expanding Peter Alexander and Smiggle into new markets. The strategy enabled Premier to increase its EBIT margin[98] from 7.5% in FY11 to 22.4% in FY22, before declining to 20.4% in FY24 in challenging macroeconomic conditions. Apparel Brands' significant in-house expertise has enabled it to generate an EBIT margin of 9.7%[99] in FY24, above Myer's FY24 Underlying EBIT margin of 3.1%.[100]

In 2023, Just Group launched a multi-brand eCommerce site allowing customers to shop across brands from a single website.

As of 27 July 2024, Premier operates 1,163 stores and a multi-brand eCommerce site, with sales of $1,595.3 million, of which 719 stores and $790.7 million in sales are attributed to the Apparel Brands. It is owned 40.24% by Century Plaza Group, a company owned by Premier Chairman and Non-Executive Director, Solomon Lew.

9.2 Key operating principles

Apparel Brands' operations are structured around the following principles:

- anchoring in a customer-first strategy and delivering high quality products and experiences;
- employing a strong retail team, providing safe and fulfilling work along with opportunities to grow careers;
- being responsible, ethical and operating with integrity – with its suppliers, its communities, how it cares for the environment and its people and processes;
- investing for growth whilst ensuring productivity and efficiency gains; and
- fostering a performance-based culture with a continuous improvement mindset.

9.3 Operations

9.3.1 Overview

Apparel Brands' head office is based in Melbourne. The business is one of the largest participants in the specialty clothing sector in Australia, being the fourth largest specialty retailer in both Australia and New Zealand. The business operates out of two distribution centres, one in Melbourne and another in Auckland, to support its in-store and online sales.

Apparel Brand's strength lies in its apparel skills and know-how developed over decades, from design, to sourcing and logistics. Mr. Lew has over 50 years' experience in the manufacture, wholesale and retailing of textiles, apparel and general merchandise, as well as property development. His success in the retail industry has been largely due to his ability to read fashion trends and interpret them for the Australasian market, in addition to his demonstrated ability in the timing of strategic investments.

Each brand within Apparel Brands has a dedicated product team that oversees the development of exclusive products using proprietary intellectual property and data from performance and global trends. Apparel Brands' dedicated in-house team manages all its end-to-end sourcing decisions leveraging established supplier partnerships, data-driven negotiation tools and product quality control processes. Each brand is supported by specialist services across the five brands focusing on property, inventory planning, retail operations, format design, digital and data and marketing to maintain and grow its market position.

Supply chain management is focused on optimising costs, responding to market conditions and customer demand, in-season responsiveness and planning effectiveness. The Apparel Brands supply chain supports

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97 Premier 23 September 2008 investor presentation.
98 Pre-AASB 16.
99 Source: Explanatory Memorandum.
100 Myer's Underlying EBIT margin has been calculated as Underlying EBIT (pre-AASB 16) divided by revenue from sale of goods excluding concession sales, which is consistent with the reporting for the peers.

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all channels through centralised distribution centres, enabling the business to be agile and to scale operations in response to customer shopping behaviours across channels. In FY22 additional distribution centre space was leased in both Melbourne and Auckland to support ongoing growth and drive further efficiencies. Premier continues to review its distribution centre capabilities in both Australia and New Zealand as part of a long-term growth strategy.

As part of positioning Apparel Brands for future growth, a new loyalty program was launched in October 2024 and aims to enhance the customer experience and build brand engagement and awareness. Additionally, the store portfolio will be optimised with new and improved store design formats to continue to be unveiled in the first half of 2025. Stores with new formats have already been opened by Jacqui E and Just Jeans in the Highpoint shopping centre, located in Victoria.

Sustainability

Premier has zero tolerance for modern slavery and has made ongoing progress in its Ethical Sourcing program in partnership with LRQA, an independent global audit and compliance provider. Premier updated its Modern Slavery Statement in January 2022 and published its Living Wage Statement in June 2022. In August 2022, Jay Jays, Portmans, Dotti, and Jacqui E joined Just Jeans as members of 'Better Cotton' a non-profit governance group that promotes better standards in cotton farming and practices internationally.

9.3.2 Product design, sourcing and distribution

Apparel Brands design, sourcing and distribution process includes the following steps.

Plan

Design

The design process at Apparel Brands is driven by extensive market research and global trend identification. The product team conducts regular research to understand new and emerging trends. The process involves creativity, craftsmanship, and attention to detail, from trend forecasting and concept development to fabric selection and final production. Most designs are created in-house, with some sourced from third parties and made exclusive. After sampling various patterns, styles, and fits, the design teams create a product brief for suppliers. Quality assurance teams ensure standards are met both locally and in the country of origin.

Inventory Management

Apparel Brands uses a disciplined approach to inventory management to ensure efficiency and minimise excess stock. Stores are categorised by size, performance, and climate, with inventory allocated based on location, customer demographics, and behaviours. Core and seasonal product ranges are closely monitored using sales trends and customer preferences. Inventory is managed dynamically, adjusting to retail trading seasons and promotional periods like Christmas and Black Friday. Online orders are centrally fulfilled through distribution centres in Melbourne and Auckland, ensuring efficient and timely delivery across Australia and New Zealand. Inventory processes ensure agility to remain in-season and to respond to market conditions and customer demand.

Buy

Apparel Brands selects suppliers based on several criteria, including capabilities, quality, reliability, terms of trade, cost, and speed to market. They vet suppliers for business and ethical manufacturing practices, ensuring compliance with ethical guidelines through physical inspections and audits. Most products are directly sourced from manufacturers, with some third-party brands sold by Just Jeans. Apparel Brands works with around 250 factories including in Bangladesh, China, India, Pakistan, and Vietnam

Move

Apparel Brands operates a flexible and agile intermodal supply chain using road, rail, sea, and limited air transport. Products are shipped from suppliers to centralised distribution centres in Melbourne (for Australia) and Auckland (for New Zealand). The distribution centres will continue operations under the TSAs for the next 12 to 24 months (see Section 6.4.1 of the Explanatory Memorandum for details).

Stock allocation is based on customer demand, enhancing distribution efficiency. Online orders are shipped directly from distribution centres to customers. While there is no click & collect service, stores can request items from the warehouse for customers. Clearance stock is sent from stores to outlets for final discounts.

Sell

Apparel Brands is focusing on optimising its store network (see Section 9.3.4 of this report) and enhancing customer experience through new store designs and digital elements. They recently opened new “stores of the future” for Jacqui E and Just Jeans at Highpoint, with plans to extend to more locations and also finalise new designs for Jay Jays, Portmans, and Dotti. Apparel Brands online presence in Australia and New Zealand complements physical stores, offering ease of shopping and occasional exclusive deals. Online sales have grown, accounting for 16.4% of total sales in FY24, with Portmans having the highest online penetration. Marketing and advertising are managed in-house, leveraging digital channels and social media influencers to engage customers. All brand advertising is digital, focusing on social media, emails, and search engines.

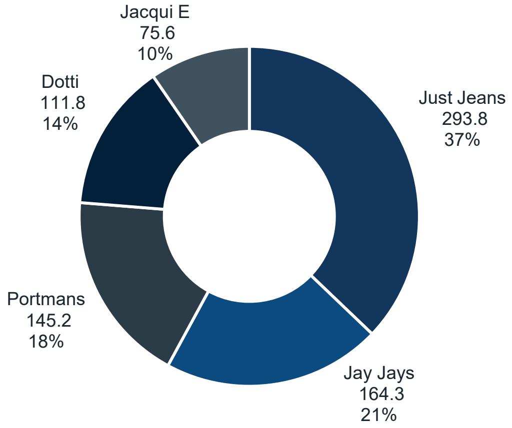
9.3.3 Brands

Each of the Brands has a longstanding market position and a loyal customer base ranging from 13 to over 80 years old and are known for offering value for money products, combining exclusive core items with seasonal fashion ranges. The following table presents a description of each of the Brands.

Brand	Description
Just Jeans	Just Jeans was established in the 1970s and offers products for men and women between 25 and over 55 years old and is the largest brand in Apparel Brands. Just Jeans’ range includes own brand products and leading third-party brands. It focuses on fit expertise, quality and range of denim offerings and operates 237 stores across Australia and New Zealand (including 13 Direct Factory Outlet stores (**DFOs**)).
Jay Jays	Jay Jays was established in 1978 and is an inclusive teenage brand (13 to 18 year olds) offering casual and comfortable wear. Jay Jays focuses on providing a fun shopping experience and accessible prices. The Brand’s range includes in-house designed products and collaborates with household names and licensed images to differentiate its market position. It operates 192 stores across Australia and New Zealand including 11 DFOs.
portmans	Portmans was established in 1946 and it caters to women between 25 and 40 years old with day and evening wear products (workwear, casual wear and occasion wear). Its products include in-house designs and licenced merchandise, and are focused on sophistication, femininity and elevation, providing aspirational garments at affordable price points. It operates 92 stores across Australia and New Zealand including 11 DFOs.
dotti	Dotti was established in 1981 and is a young women’s (16 to 25 year olds) fashion retailer. The brand focuses on offering a young, fun and friendly product and customer experience and value for money. It operates 106 stores across Australia and New Zealand including 8 DFOs.
JACQUI·E	Jacqui E was established in 1950 and offers fashionable products for women (35 to over 80 year olds) styling across smart workwear, casual and special occasion-wear. It operates 92 stores across Australia and New Zealand including 10 DFOs.

The contribution of each brand to Apparel Brands in FY24 is illustrated in the following figure.

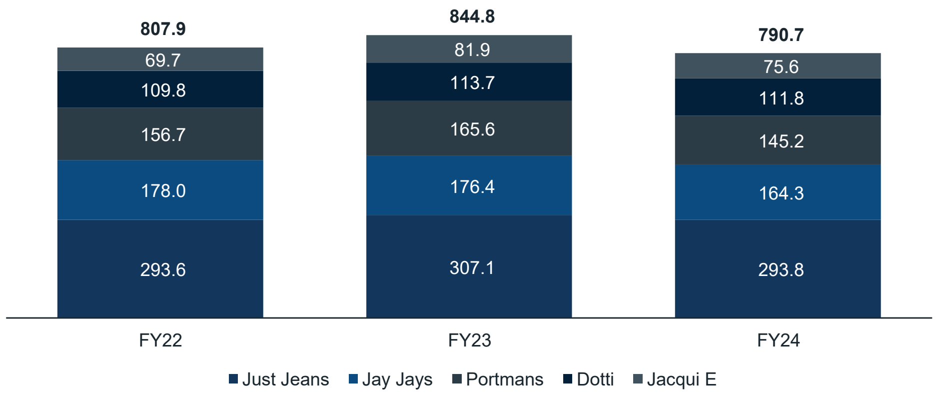
Apparel Brands FY24 Sales per Brand ($ millions and percentage)



Source: Premier FY24 Annual Report.

The contribution of each of the brands to total sales has remained relatively stable from FY22 to FY24.

Apparel Brands FY22 – FY24 Sales per Brand ($ millions)



Source: Premier Annual Reports and investor presentations.

Sales in FY22 across the Brands were still impacted by the COVID-19 pandemic, totalling $807.9 million, which represented a 4.0% decrease from the prior year (or a decrease of 2.6% on a comparable 52-week basis). The prior year had also seen significant growth in online sales. However, sales improved in the second half of FY22, with some brands like Just Jeans, Jay Jays, and Portmans achieving some of their highest sales on record. Other brands, such as Dotti and Jacqui E, maintained sales levels comparable to the previous year.

FY23 marked a record year for Apparel Brands, delivering $844.8 million in sales despite operating 37 fewer stores than before the COVID-19 pandemic, reflecting a 4.6% increase from FY22. Notably, Jacqui E and Portmans achieved record sales during this period. In FY24, Apparel Brands reported sales of $790.7 million, a 6.4% decrease from FY23. This decline was attributed to a challenging macroeconomic environment affecting the discretionary retail sector. Online sales accounted for 16.4% of total sales in FY24.

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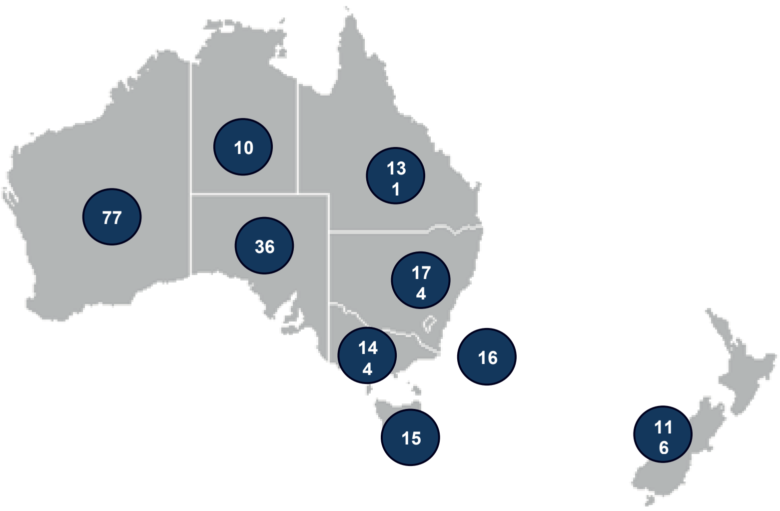
Apparel Brands focuses on process improvements in sourcing, which provide greater flexibility to respond to market conditions and introduce new products more frequently.

9.3.4 Store network

Apparel Brands operated a network of 719 stores at the end of FY24 employing more than 5,500 store team members, with 603 stores in Australia and 116 stores in New Zealand. The Apparel Brands network is depicted in the following figure.

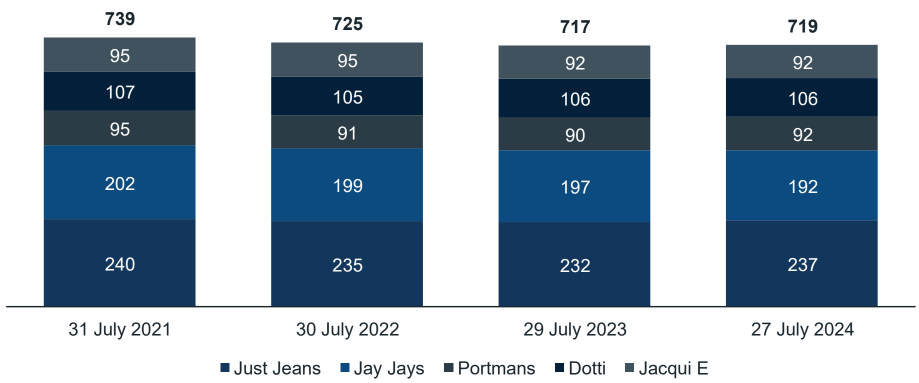
Apparel Brands' Stores Network



Source: Section 5.4.4 of the Explanatory Memorandum.

Over the period from FY22 to FY24 there have been 15 openings and 35 closures of Apparel Brand stores. The figure below illustrates the number of stores for each of the Brands from FY22 to FY24.

Apparel Brands FY21 – FY24 Stores per Brand



Source: Premier Annual Reports and investor presentations

From the end of FY21 to the end of FY24, the total number of stores saw a net decrease of 20. The store count decreased from 739 at the end of FY21 to 719 by the end of FY24. During this three-year period, all

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brands experienced a net decrease in store numbers. Jay Jays had the highest net decrease of 10 stores comprising 13 closures and three openings. FY22 recorded the most closures at 15, with only one new store opening, while FY24 had the most openings at 12, despite 10 closures.

For the period from FY22 to FY24, we note that:

- the decrease in Jay Jays stores aligns with a 7.7% decline in overall sales for the brand;
- Portmans sales decreased by a similar 7.3%, but store numbers remained relatively stable; and
- Jacqui E sales increased by 8.5%, despite having three fewer stores than at the beginning of the period.

9.4 Financial performance

9.4.1 Historical financial performance

The following table summarises the financial performance of Apparel Brands for FY23 and FY24.

Apparel Brands Financial Performance – Post-AASB 16 ($ millions)

	FY23	FY24
Revenue from sale of goods	**844.8**	**790.7**
Other operating revenue	0.4	0.2
Cost of goods sold	(359.8)	(333.2)
Operating gross profit	**485.4**	**457.7**
Other income	1.9	-
Selling expenses	(283.9)	(285.5)
Administration expenses	(85.4)	(85.8)
EBIT[1]	**118.1**	**86.5**
Net finance costs	(6.5)	(13.6)
Profit before tax	**111.6**	**72.9**
Income tax expense	(35.2)	(20.5)
Net profit after tax	**76.4**	**52.3**
Growth		
Total sales growth	*4.6%*	*(6.4%)*
Operating gross profit growth	*na*	*(5.7%)*
EBIT growth	*na*	*(26.8%)*
NPAT growth	*na*	*(31.5%)*
Margins		
Operating gross margin	*57.5%*	*57.9%*
EBIT margin	*14.0%*	*10.9%*
NPAT margin	*9.0%*	*6.6%*

Source: Explanatory Memorandum
Notes:
1. EBIT is equivalent to underlying EBIT given there are no significant items or implementation costs corresponding to Apparel Brands.
2. na means not available.

In relation to Apparel Brands' financial performance, Kroll notes the following:

- as mentioned in Section 9.3.3, sales declined by 6.4% in FY24, with the decline attributed to challenging macroeconomic conditions affecting the discretionary retail sector;
- while operating gross profit declined by 5.7% in FY24, operating gross margin improved slightly, from 57.5% in FY23 to 57.9% in FY24, due to strong cost management;
- EBIT declined by 26.8% from FY23 to FY24 as a result of the decrease in gross profit, a slight increase in selling and administration expenses and a reduction on other income; and
- NPAT declined by 31.5% from FY23 to FY4, reflecting the reduction in EBIT and an increase in net finance costs.

9.4.2 Reconciliation of EBIT to EBIT (pre-AASB 16)

The following table presents the reconciliation of EBIT to EBIT (pre-AASB16) for Apparel Brands for FY23 and FY24.

Apparel Brands EBIT – Pre-AASB 16 ($ millions)

	FY23	FY24
EBIT (post AASB 16)[1]	**118.1**	**86.5**
Impact of AASB 16	(5.6)	(10.1)
EBIT (pre-AASB 16)	**112.5**	**76.4**
Statistics		
EBIT (pre-AASB 16) growth	*na*	*(32.1)%*
EBIT (pre-AASB 16) margin	*13.3%*	*9.7%*

Source: Explanatory Memorandum and Kroll analysis.
Notes:
1. Includes net TSA payments of $1.2 million in FY23 and $0.7 million in FY24. These payments are required to facilitate an orderly separation of Apparel Brands from Premier and integration into Myer during the transition period.
2. na means not available.

9.4.3 Outlook

Apparel Brands has not released earnings guidance for FY25 or beyond. As such, we have had regard to broker consensus. Six brokers have published reports following the announcement of the Combination (when FY24 financial performance was provided for Apparel Brands), of which one broker is an adviser on the Combination and has, therefore, been excluded. Apparel Brands broker consensus for FY25 to FY27 is summarised as follows. Further detail is provided in Appendix 3.

Apparel Brands Broker Forecast ($ millions)

	Actual FY24	Forecast FY25	Forecast FY26	Forecast FY27
Revenue	790.7	798.0	814.0	838.0
EBIT	76.4	76.0	81.5	107.0
Statistics				
Revenue growth	*(6.4%)*	*0.9%*	*2.0%*	*2.9%*
EBIT growth	*(32.1%)*	*(0.5)%*	*7.2%*	*31.3%*
EBIT margin	*9.7%*	*9.5%*	*10.0%*	*12.8%*

Source: Broker report, Kroll analysis.
Note 1: Broker consensus is the median of broker forecasts.

With regard to the Apparel Brands broker consensus, we note that broker consensus revenue is forecast to increase at a CAGR of 2.0% from FY24 to FY27 and EBIT is expected to increase at a CAGR of 11.9% over the same period as EBIT margins increase towards levels achieved in FY23. We also note that only one broker has provided a three-year forecast EBIT, two have provided forecasts for only FY25, and one has provided a forecast for only FY26.

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9.5 Financial position

The following table summarises the financial position of Apparel Brands as at 27 July 2024.

Apparel Brands - Financial Position ($ millions)

	As at 27 July 2024
Inventories	118.1
Trade and other receivables and prepayments	8.7
Trade and other payables	(51.8)
Net working capital	**75.0**
Property, plant and equipment	34.9
Right-of-use assets	222.3
Intangibles	3.6
Deferred tax assets (net)	17.6
Provisions	(27.9)
Total funds employed	**325.5**
Cash	82.0
Debt	-
Net cash (excluding lease liabilities)	**82.0**
Lease liabilities	(241.3)
Net borrowings (including lease liabilities)	**(159.3)**
Net assets	**166.2**
Statistics	
Gearing ratio (including lease liabilities)[1]	*48.9%*

Source: Explanatory Memorandum
Notes:
1. Gearing ratio (including lease liabilities) is calculated as net borrowings (including lease liabilities) divided by total funds employed.
2. Table may not add due to rounding.

In relation to Apparel Brands' financial position, Kroll notes the following:

- Apparel Brands' working capital is characterised by a low level of debtors, due to the cash nature of its sales and is mainly comprised of inventory and creditors;
- inventory being the main balance of working capital is characteristic of apparel companies requiring to plan for seasonal sales and ensuring a sufficient range of products to meet customer demand;
- right-of-use assets and the corresponding lease liabilities are the most significant items in Apparel Brands' financial position, reflecting its extensive leased stores network; and
- Apparel Brands has minimal fixed assets and no debt.

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9.6 Cash flows

The following table summarises the cash flow statement for Apparel Brands for FY23 and FY24.

Apparel Brands Cash Flow ($ millions)

	FY23	FY24
NPAT	**75.9**	**52.3**
Add back: depreciation, amortisation and impairment	91.0	92.8
Deduct: interest income	(2.7)	(5.3)
Decrease/(increase) in working capital and other adjustments	(18.2)	10.3
Net operating cash flow	**146.1**	**150.3**
Payments for property, plant and equipment	(9.2)	(16.8)
Free cash flow	**136.8**	**133.4**
Principal portion of lease liabilities paid	(93.5)	(93.7)
Interest income	2.7	5.3
Net increase/(decrease) in cash	**46.1**	**45.0**

Source: Explanatory Memorandum
Note 1: Cash flows for Apparel Brands incorporate those associated with the transaction perimeter and the TSA. Accordingly, the NPAT represents $76.5 million for Apparel Brands less a loss for the period of $0.5 million for the transaction perimeter and TSA.

In relation to Apparel Brands' cash flows, Kroll notes the following:

- despite the significant decrease in NPAT in FY24, net operating cash flows increased from $146.1 million to $150.3 million, mainly resulting from a decrease in inventory levels and an increase in trade payables; and
- after an increase in capital expenditure, net cash flow in FY24 remained stable relative to FY23.

10 Profile of the Combined Myer Group

10.1 Overview

The Combined Myer Group will establish one of the largest retail platforms across Australia and New Zealand, with an extensive portfolio of brands, a broad omni-channel presence, and significant operational scale, leveraging the respective complementary strengths of Myer and Apparel Brands. The Combination brings together Myer's strong brand name, leading loyalty program and expansive omni-channel presence with Apparel Brands' specialty retail expertise. Collectively, the Combined Myer Group will operate 783 department and specialty format stores,[101] supported by a workforce of over 17,300 employees,[102] and will have pro forma historical revenue of over $4.0 billion.[103]

Together, the Combined Myer Group is expected to have a sharper focus on its products, brand management and direct sourcing capabilities, achieving scale in its higher-margin exclusive and private brands product offering. It will have an expanded customer reach, by combining the customer bases of Myer and Apparel Brands, catering to a wider demographic and driving cross-shop benefits, with the ability to leverage Myer's loyalty program across this enlarged customer base. The Combined Myer Group also has the opportunity to leverage Apparel Brands' trade excellence in sourcing, design and distribution, driving efficiencies and improving margins.

A detailed description of the profile of the Combined Myer Group is set out in Section 6 of the Explanatory Memorandum.

[101] Consisting of 56 Myer department stores and eight sass & bide, Marcs and David Lawrence stores, and 719 Apparel Brands stores (Apparel Brands store count as at July 2024).
[102] Includes casual staff but excludes sass & bide, Marcs and David Lawrence staff.
[103] Pro forma FY24 sales before combination benefits.

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10.2 Corporate strategy

The Combined Myer Group aims to benefit on its expanded scale and resources to position the company for long-term growth in the highly competitive retail environment. The combined group's strategy focuses on leveraging synergies between Myer's established omni-channel presence and Apparel Brands' speciality retail expertise to deliver a comprehensive and customer-centric retail business.

The key strategic pillars of the Combined Myer Group include:

- **enhancing Myer's omni-channel offering**: the Combined Myer Group plans to strengthen its established ecommerce presence by integrating Apparel Brands to further grow its online sales. Apparel Brands, which generated 16.4% of its FY24 sales online, will benefit from integration into Myer's digital ecosystem;
- **expanding the MYER one loyalty program**: the integration of Apparel Brands into the MYER one loyalty program will unlock new cross-shopping opportunities and expand its membership base;
- **strengthening product offering**: there will be a focus on growing the Combined Myer Group's exclusive and private label brands portfolio, across a larger and more diversified customer base, to capture growth in sales. Apparel Brands' expertise in design, sourcing and distribution will complement Myer's existing strengths, driving improved margins; and
- **building scalability and operational efficiency**: the Combined Myer Group intends to leverage its combined scale to optimise sourcing, logistics, and store operations, driving cost efficiencies. Investments in automation and advanced data analytics will improve inventory and supply chain management.

The strategy positions the Combined Myer Group to cater to a wider and more diverse range of consumer preferences, enhance engagement with the loyalty ecosystem to maximise recurring sales, enhance profitability through higher margin products, and maintain relevance in a more competitive retail market.

10.3 Scale and diversification

The Combined Myer Group will become a retail company of significant scale, offering a more comprehensive range of products and services across Australia and New Zealand that cater to a larger and more diversified customer base. The Combined Myer Group will operate a total of 783 stores, combining Myer's department stores and specialty stores with Apparel Brands' specialty stores. The complementary nature of the two networks ensures a broad national footprint.

Overview of the Combined Myer Group

Metric	Myer	Apparel Brands	Combined Myer Group
Total stores	56	719	783
Workforce	11,800+	5,500+	17,300+
Revenue from sale of goods (FY24, $ millions)	2,438	791	3,229
Underlying EBIT (pre-AASB 16, $ millions)	75.6	76.4	152.0[2]
Underlying EBIT margin (pre-AASB 16)[1]	3.1%	9.7%	4.7%

Source: Myer and Kroll analysis.
Notes:
1. Underlying EBIT margin has been calculated as Underlying EBIT divided by revenue from sale of goods excluding concession sales, which is consistent with the reporting for the peers.
2. Before impacts of transaction perimeter and TSA.

The Combined Myer Group will have a diversified customer base due to the addition of Apparel Brands' highly complementary customer base that addresses customer demographics Myer currently is under-represented in (e.g., the youth and female demographics). The addition of Apparel Brands accelerates Myer's growth in younger demographics and womenswear, while Myer provides a strong cross-shop opportunity for Apparel Brands' customers to benefit from the broad range of categories and products beyond apparel that Myer offers.

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10.4 Combination benefits

The Combination is expected to result in substantial combination benefits (revenue and cost synergies) which are expected to be realised progressively over time, including:

- **MYER one expansion:** an opportunity to leverage Myer's MYER one loyalty program and eCommerce platform across an enlarged customer base. Myer has a leading loyalty program with 10.4 million members as at 27 July 2024. The value created by this program is demonstrated by MYER one members spending 82% more than non-members.[104] Extending the MYER one program across Apparel Brands' customers creates an opportunity to increase sales of Apparel Brands products by targeted marketing to Apparel Brands customers and through providing ability for Apparel Brands' customers to earn and redeem MYER one credits;
- **omni-channel benefits:** an opportunity to unlock greater value by bringing Apparel Brands into Myer's omni-channel ecosystem. Myer has a higher online penetration (21.6% of sales in FY24) than Apparel Brands (16.4% of sales in FY24). Consequently, bringing Apparel Brands into Myer's omni-channel ecosystem creates an opportunity for an immediate uplift in Apparel Brand sales;
- **sourcing optimisation:** the Combined Myer Group will generate pro forma historical sales in the apparel category of more than $2 billion for FY24, making it one of the largest apparel retailers in Australia. This presents significant scale opportunities through a combined sourcing function, such as benefiting from long-term relationships with key suppliers and improved economies of scale to secure and offer high-quality products at competitive price points, harmonising supplier terms and consolidating suppliers to extract cost efficiencies as well as operating efficiencies and unifying and streamlining product lead times and inventory management systems. In addition, Apparel Brands' existing operational excellence in sourcing allows a faster lead time between the factory and shop floor, agility in product development and store allocation. It is expected that over the longer term, an optimised sourcing function will also enable the Combined Myer Group to leverage this capability to deliver high quality products that are on-trend and desired by customers, which in turn is expected to drive sales and reduce promotional activity;
- **Myer Exclusive Brands:** leverage Apparel Brands' disciplined approach to managing costs across product development and sourcing. Myer's private label apparel products generated a 56% operating gross margin in FY24 compared to 58% for Apparel Brands;
- **specialty brands:** leverage scale and Apparel Brands' brand management expertise and know-how to improve operational and financial performance of sass & bide, Marcs and David Lawrence. In FY24, Apparel Brands generated EBIT of $76.4 million whereas Myer's speciality brands were each loss making (refer to Section 6.3.5 of the Explanatory Memorandum);
- **financing cost savings**. Myer's $65 million fully drawn floating rate loan (Tranche A) and $150 million revolving credit facility (Tranche B) expire on 3 December 2025. The terms of these loans reflect its high financial leverage (including leases) of 85.1% as at 27 July 2024. Myer's financing costs[105] in FY24 were $13.6 million. As a result of the lower gearing (including leases) for the Combined Myer Group, it is expected that the Combined Myer Group will be able to achieve lower funding costs;
- **distribution centre and logistics optimisation**: the Combined Myer Group will have access to six distribution centres comprising Myer's four distribution centres in Victoria, Queensland, New South Wales and Western Australia and Premier's two distribution centres in Victoria and New Zealand (which Apparel Brands will have access to via the TSAs). It is expected that the Combined Myer Group will evaluate the optimal distribution centre and logistics network to maximise economies of scale and reduce unit costs. Currently, Apparel Brands products are distributed nationally from Premier's Truganina distribution centre in Victoria. There is an opportunity to reduce delivery costs by shipping Apparel Brands' products from Myer's national distribution centre. In addition, there is potential to optimise significant latent capacity at Myer's national distribution centre and Wacol

[104] Source: Mastercard commissioned analysis 2022.
[105] Includes interest expense, amortisation of borrowing costs and bank facility fees. Excludes lease interest and interest income.

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distribution centre by fulfilling online sales through the national distribution centre, rather than directly from Myer stores;

- **store network enhancement:** the Combined Myer Group will have a store network of 783 department and specialty format stores. Over time, Myer expects that there will be opportunities to optimise the combined store network to extract operational efficiencies and drive productivity; and
- **cost management**: in FY24, Apparel Brands generated an EBIT margin of 9.7%, compared to Myer's Underlying EBIT margin of 3.1%.[106] There is an opportunity to leverage Apparel Brands' disciplined cost management approach across Myer in order to reduce costs and increase margins. There is also an opportunity to reduce duplicated costs.

In the short to medium term, Myer expects to generate combination benefits of at least $30 million in pre-tax earnings per annum on a run-rate basis. Myer has identified three key priority focus areas to extract combination benefits in the near term, including extending the MYER one loyalty program across Apparel Brands, including Apparel Brands' products in Myer's omni-channel ecosystem and developing a combined sourcing model that leverages Apparel Brands' sourcing model. Myer has not disclosed anticipated integration costs, however, these could potentially be material.

Actual combination benefits could be higher or lower than those assumed. They represent current expectations which are subject to assumptions as to future events which involve inherent uncertainties and contingencies. In particular, there is a risk that not all combination benefits will be achieved, there are delays in achieving those savings or that integration costs are greater than expected. On the other hand, the $30 million of combination benefits represents the minimum level of pre-tax revenue and cost savings that Myer expects to achieve and is only those that can be achieved in the short to medium term.

10.5 Combined Myer Group pro forma historical financial performance

10.5.1 Combined Myer Group pro forma historical financial performance

The following table summarises the pro forma financial performance of the Combined Myer Group for FY23 and FY24 as though the Combination was completed on 31 July 2022, and does not include combination benefits or transaction costs of approximately $12.6 million (excluding GST). Combined Myer Group pro forma historical financial performance is set out in Section 6.8 of the Explanatory Memorandum.

Combined Myer Group Pro Forma Financial Performance (Post-AASB 16) ($ millions)

	FY23 Pro forma	FY24 Pro forma
Revenue from sale of goods	**3,410.6**	**3,228.8**
Other operating revenue	195.1	206.5
Cost of goods sold	(1,895.7)	(1,783.2)
Operating gross profit	**1,710.1**	**1,652.1**
Other income	4.5	4.3
Selling and administration expenses	(1,401.4)	(1,407.9)
Restructuring, space exit costs, impairments and other significant items	(15.4)	(12.2)
Reported EBIT	**297.8**	**236.3**
Net finance costs	(97.5)	(100.2)
Profit before income tax	**200.2**	**136.1**
Income tax expense	(63.9)	(40.2)
Profit after income tax for the period attributable to owners of the Combined Myer Group	**136.3**	**95.8**

Source: Explanatory Memorandum.

[106] Myer's Underlying EBIT margin has been calculated as Underlying EBIT (pre-AASB 16) divided by revenue from sale of goods excluding concession sales, which is consistent with the reporting for the peers.

Combined Myer Group pro forma historical financial performance (pre-AASB 16)

The following table reconciles Reported EBIT to Underlying EBIT and Underlying EBIT (pre-AASB 16) for FY23 and FY24.

Reconciliation of Combined Group EBIT (pre-AASB 16) ($ millions)

	FY23 Pro forma	FY24 Pro forma
Reported EBIT[1]	**298.9**	**237.0**
Restructuring, space exit costs, impairments and other significant items	15.4	12.2
Underlying EBIT	**314.3**	**249.2**
Impact of AASB 16	(91.7)	(97.2)
Underlying EBIT (pre-AASB 16)	**222.6**	**152.0**
Underlying EBIT (pre-AASB 16) margin[2]	***6.5%***	***4.7%***

Source: Explanatory Memorandum and Kroll analysis.
Notes:
1. Before impacts of transaction perimeter and TSA.
2. Underlying EBIT margin is calculated as Underlying EBIT divided by revenue from sale of goods (i.e. excludes concession sales).

The FY24 Underlying EBIT margin for the Combined Myer Group (excluding combination benefits) is 4.7%, which is substantially greater than the FY24 Underlying EBIT margin for Myer (stand-alone) of 3.1%. Including the minimum expected combination benefits of $30 million, the pro forma FY24 EBIT margin for the Combined Myer Group is 5.6%.

10.5.2 Combined Myer Group outlook

Kroll has also considered broker forecasts. As far as Kroll is aware, two brokers have published reports containing forecasts for the Combined Myer Group following the announcement of the Combination on 29 October 2024. One broker does not provide forecasts on a pre-AASB basis. The other broker's forecast for Combined Myer Group for FY25, FY26 and FY27 is summarised as follows.

	Actual FY24[1]	Forecast FY25[2]	Forecast FY26	Forecast FY27
Total sales	4,057.0	4,076.0	4,069.0	4,168.0
Underlying EBIT	**152.0**	**153.0**	**164.0**	**191.0**
Net profit after tax	**101.0**	**104.0**	**124.0**	**145.0**
Growth				
Total sales growth	*na*	*0.5%*	*(0.2%)*	*2.4%*
Underlying EBIT growth	*na*	*0.7%*	*7.2%*	*16.5%*
NPAT growth	*na*	*3.0%*	*19.2%*	*16.9%*
Margins				
Underlying EBIT margin[3]	*3.7%*	*3.8%*	*4.0%*	*4.6%*
NPAT margin[3]	*2.5%*	*2.6%*	*3.0%*	*3.5%*

Source: Broker Reports and Kroll Analysis
Notes:
1. Includes pro forma Combined Myer Group earnings (excluding combination benefits). Before impacts of transaction perimeter and TSA.
2. Includes broker's full year forecast for Apparel Brands and Myer.
3. Calculated as a percentage of total sales, rather than revenue from sale of goods, as brokers do not disclose revenue from sale of goods.

With regard to the Myer broker forecast, we note the following:

- revenue grows at a CAGR of 1.1% from FY25 to FY27 and from FY27 to FY30 (which represents a decline in earnings in real terms, consistent with industry trends for department stores as discussed in Section 7.4 of this report);

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- EBIT grows at a CAGR of 7.9% from FY24 (excluding combination benefits) to FY27 as combination benefits are progressively realised, compared to growth of 0.1% for Myer stand-alone. By FY27, EBIT is slightly greater than the pro forma FY24 EBIT (including combination benefits) and the EBIT margin of 4.6% is also slightly greater than the pro forma FY24 EBIT margin (including combination benefits) of 4.5%. The broker expects continued margin improvement after FY27, with EBIT margin reaching 5.8% in FY30, resulting in a CAGR in EBIT from FY27 to FY30 of 9.2%. The key factors driving margin improvement are:
  - **increasing gross margin** via increasing direct sourcing, improving markdown efficiency, improving trading terms, focusing the product range and becoming more commercial around concessions;
  - **reducing costs** by optimising the store portfolio, reducing shrinkage, labour force efficiencies and centralising non-merchandise procurement;
  - **strengthening the customer proposition** by rolling out the MYER one program to Apparel Brands customers; and
  - **strengthening the Myer Board and management** via the addition of Solomon Lew to the Myer Board, who brings understanding of apparel and the customer, the Apparel Brands' management team including Teresa Rendo, Managing Director of Apparel Brands and the recent addition of Olivia Wirth, who developed a successful loyalty program at Qantas.

  The broker cites Premier's own successful turnaround strategy which resulted in EBIT margin increasing from 7.5% in FY11 to 22.3% in FY22 as evidence of its ability to improve margins for Myer as well as Kmart Australia's successful turnaround under the ownership of Wesfarmers, which resulted in an increase in EBIT margin from 2.7% in FY10 to 10.4% in FY18.

10.6 Combined Group pro forma historical financial position

The pro forma historical financial position of the Combined Myer Group is set out in Section 6.8.8 of the Explanatory Memorandum and is summarised as follows.

Combined Myer Group Pro Forma Financial Position ($ millions)

	As at 27 July 2024
Inventories	486.6
Trade, other receivables and prepayments and current tax assets	44.8
Trade and other payables	(469.7)
Net working capital	**61.7**
Right-of-use assets	1,260.8
Property, plant & equipment	352.3
Deferred tax assets	148.6
Intangible assets	717.6
Other liabilities (net)[1]	(95.2)
Total funds employed	**2,445.8**
Cash and cash equivalents	224.5
Financial liabilities	(62.2)
Net cash / (debt) (excluding lease liabilities)	**162.3**
Lease liabilities (net)	(1,808.4)
Net cash / (debt) (including lease liabilities)	**(1,646.1)**
Net assets	**799.6**
Total equity attributable to the owners of the Combined Myer Group	**799.6**
Statistics	
Gearing ratio (excluding lease liabilities)	*(25.5%)*
Gearing ratio (including lease liabilities)	*67.3%*

Source: Explanatory Memorandum.
Note 1: Includes derivatives financial instruments, provisions and other non-current assets.

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In relation to the pro forma financial position of the Combined Myer Group as at 27 July 2024 we note:

- the Combined Myer Group's working capital is highly seasonal as a result of the inclusion of the Myer business. Net cash (excluding lease liabilities) as at 27 July 2024 is $162.3 million. Myer management expects the Combined Myer Group to have $164.0 million of net cash at Completion (expected to be in February 2025) after the payment of the Pre-Completion Dividend and the estimated $12.6 million transaction costs (excluding GST); and
- the gearing ratio (including lease liabilities) for the Combined Myer Group of 67.3% is significantly lower than Myer's current gearing of 85.1% (refer to Section 8.5 of this report).

10.7 Combined Myer Group historical statement of cash flows

The pro forma statement of cash flows for the Combined Myer Group for FY23 and fy24 is set out in Section 6.8.9 of the Explanatory Memorandum and is summarised as follows.

Combined Myer Group Pro Forma Historical Statement of Cash Flows ($ millions)[1]

	FY23	FY24
Statutory NPAT	**136.3**	**95.8**
Add back: Depreciation, amortisation and impairment	304.2	303.7
Deduct: Net interest	(5.3)	(8.7)
Add back: Share based payments and net exchange difference	3.4	2.1
Decrease/(increase) in working capital and other adjustments	(54.9)	2.2
Operating cash flow	**383.8**	**395.2**
Capital expenditure (net)[2]	(83.7)	(86.2)
Free cash flow	**300.0**	**308.9**
Dividends	(86.2)	(33.2)
Principal portion of lease liabilities paid	(236.3)	(245.2)
Interest income	7.4	10.8
Movement in borrowings	-	-
Payment for acquisition of treasury shares	(3.1)	-
Net cash flow	**(18.1)**	**41.4**
Cash balance - opening	201.3	183.2
Cash balance - closing	**183.2**	**224.5**

Source: Explanatory Memorandum, Kroll Analysis.
Note:
1. Table may not add due to rounding.
2. Capital expenditure is net of landlord contributions.

10.8 Accretion analysis

The Combination is expected to generate EPS accretion of 6.7% on a pro forma FY24 basis excluding combination benefits. Including the $30 million minimum expected pre-tax run-rate combination benefits, EPS accretion is 30.1%.

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Myer's EPS Accretion

	Myer (stand-alone)	Combined Myer Group	
		Excluding combination benefits	Including combination benefits
FY24 net profit after tax ($ millions)	43.5	95.8	116.8
Number of shares	837.6	1,728.1	1,728.1
EPS (cents)	**5.2**	**5.5**	**6.8**
Increase		*6.7%*	*30.1%*

Source: Kroll analysis.

Kroll notes, however, that statutory EPS in the years following Completion may be negatively impacted by transaction and integration costs. Furthermore, the combination benefits are expected to be realised incrementally over the short to medium term and there is no certainty that all of the combination benefits will be achieved. As such, it will likely take some time before actual EPS for the Combined Myer Group reaches this level.

10.9 Environmental, Social and Governance of the Combined Myer Group

The Combined Myer Group will continue to progress on its Sustainability Strategy, considering business activities and impacts across the supply chain, as well as stakeholder interests. The Sustainability Strategy focuses on energy management, sustainable packaging, waste management and sustainable sourcing which includes ethical sourcing and sustainable merchandising.

10.10 Board of Directors and Management of the Combined Myer Group

Following Completion, each of the current Myer Directors are expected to remain as Directors of the Combined Myer Group. Solomon Lew is expected to join the Board of the Combined Myer Group as a non-executive director consistent with Century Plaza Group becoming Myer's largest shareholder following Completion. Mr Lew has more than 50 years' experience in the manufacture, wholesale and retailing of textiles, apparel and general merchandise, as well as property development.

The proposed Combined Myer Group Board is set out in the following table:

Combined Myer Group's Board of Directors

Board of Directors	Position
Olivia Wirth	Executive Chair & Director
Gary Weiss	Deputy Chair & Director[1]
Jacquie Naylor	Director
Terry McCartney	Director
Rob Perry	Director
Solomon Lew	Director

Source: Explanatory Memorandum.
Note 1: Lead Independent Director.

Following Implementation of the Combination, the Combined Myer Group's Executive Management Team will be expanded to include Teresa Rendo as Managing Director of Apparel Brands, Josh Molloy as Global Head of Property and Jason McVicar as Group General Manager, Retail.

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10.11 Combined Myer Group capital structure and ownership

10.11.1 Share capital

Myer has 837,557,023 shares on issue. If the Combination is Completed, Myer will issue the Consideration Shares to Premier and the total number of Myer Shares on issue will be approximately 1,728,057,023.[107]

Following the In Specie Distribution, Myer Shareholders will own 33.4% of the Combined Myer Group, Premier Shareholders (excluding Century Plaza Group) will own approximately 39.8% of the Combined Myer Group and Century Plaza Group will own approximately 26.8% of the Combined Myer Group which is less than Premier's current shareholding in Myer of 31.2%.[108]

10.11.2 Ownership

Following the In Specie Distribution, Myer expects the following shareholders will be substantial holders in the Combined Myer Group:

Combined Myer Group Substantial Shareholders as at the Last Practicable Date

Substantial Shareholder	Number of shares	Percentage
Century Plaza Group	463,322,643	26.8%
Perpetual Limited	165,988,807	9.6%[1]

Source: Section 6.7 of the Explanatory Memorandum.
Note 1: Estimated based on Myer substantial holder notice dated 24 October 2024, Myer Appendix 2A dated 25 September 2024, Myer Form 604 dated 22 April 2024 and FY24 Premier Annual Report as at 20 September 2024.

10.12 Combined Myer Group liquidity and sharemarket rating

The Combined Myer Group is likely to have greater relevance to equity investors through increased scale relative to Myer on a stand-alone basis. Based on the closing share price of Myer as at 12 December 2024 of $1.21, the pro forma market capitalisation of the Combined Myer Group would have been $2.1 billion,[109] substantially larger than the pre-Combination market capitalisation of $536.5 million.[110]

Shortly after Completion, Premier will undertake an In Specie Distribution of all its Myer Shares (being the Consideration Shares plus its existing shareholding in Myer) to Premier Shareholders, resulting in Premier Shareholders becoming shareholders in the Combined Myer Group directly and Premier ceasing to be a shareholder in Myer. As a result, the Combined Myer Group will have a more diversified shareholder base and free float will increase from an estimated 68.8% to 73.2%, or $1.5 billion. Based on current share trading, this will position the Combined Myer Group within the S&P/ASX 200 Index.

Although Myer Shares are liquid (refer to Section 8.8.3 of this report), the larger market capitalisation and free float of the Combined Myer Group is expected to result in an increased daily trading volume for the Combined Myer Group in comparison to Myer stand-alone.

The larger size of the Combined Myer Group may also increase coverage by brokers, attracting the interest of institutional shareholders and leading to a potential for a positive sharemarket re-rating, noting that scale is a factor in determining trading multiples for Australian retailers (refer to Section 11.3.1 of this report). Prior to the announcement of the Combination, Myer was covered by one broker. Since the announcement of the Combination, two additional brokers are covering Myer, with one broker having provided a comprehensive analysis of the implications of the Combination for Myer.

[107] Refer to Section 6.6 of the Explanatory Memorandum.
[108] Refer to Section 6.6 of the Explanatory Memorandum.
[109] Based on 1,728.1 million shares outstanding.
[110] Based on the closing share price on 21 June 2024 of $0.645, the last trading day before the announcement of the Indicative Proposal and 837.6 million shares outstanding.

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10.13 Changes in risk profile for Myer Shareholders

Combined Myer Group Shareholders will have a different risk exposure relative to Myer Shareholders. They will have an exposure to the Apparel Brands' business, which may result in different exposures to risks associated with supply chains, brand reputation, competition, people management, technology, sustainability and property (refer to Section 7.3 of the Explanatory Memorandum).

11 Valuation

11.1 Summary

11.1.1 Value of Apparel Brands

Under the Share Sale and Implementation Agreement, in exchange for the Consideration Shares, Premier will contribute Just Group which will own the Apparel Brands operating business and will retain $82.0 million of cash. Based on our assessed value of Apparel Brands' operating business of $766.3 million to $864.3 million on a controlling interest basis, the value of Apparel Brand's equity (including the retained cash) is $848.3 million to $946.3 million.

The valuation is summarised as follows:

Apparel Brands Valuation Summary ($ millions)

	Section Reference	Valuation Range Low	Valuation Range High
Maintainable EBIT (pre-AASB 16)	11.4.2	76.6	78.6
Capitalisation multiple (control basis)	11.4.3	10.0	11.0
Value of Apparel Brands' operating business (control basis)		**766.3**	**864.3**
Add: Retained cash		82.0	82.0
Value of Apparel Brands' equity (control basis)		**848.3**	**946.3**

Source: Kroll analysis.

In assessing a value range for Apparel Brands' operating business, Kroll has adopted a market approach as the primary methodology utilising multiples of EBIT. In assessing an appropriate multiple to apply to Apparel Brands, Kroll considered the multiples implied by recent transactions involving retail category specialists in Australia and New Zealand and internationally, as well as the multiples at which retail category specialists in these regions are trading.

The median control premium for transactions involving retail category specialists is 33.6% (refer to Appendix 6 of this report) and the median control premium for retail company transactions in the period from 2014 to 2024 sourced from Factset is 33.5%. If the equivalent minority discount of 25.1%[111] is applied to the equity value of Apparel Brands (control basis), the implied minority multiple is 7.2 to 8.0 times FY24 EBIT, which is below the trading multiples for all of the Australian retail category specialists Kroll has analysed and well below Premier's pre-Indicative Proposal trading multiple[112] of 10.2 times historical EBIT (refer to Section 11.3.1 of this report), noting that the S&P/ASX 200 Consumer Discretionary Index has subsequently increased by 12.0%.

11.1.2 Valuation of Myer Shares

Kroll has assessed the value of Myer's equity on a stand-alone, minority basis to be in the range of $520.9 million to $596.5 million, which equates to an underlying value per Myer Share of between $0.62 and $0.71.[113] The value of Myer's equity has been determined by estimating the fair value of Myer's operating

[111] Calculated as 1-(1/(1+33.6%)).
[112] Premier's multiple has been calculated by including its proportionate share of EBIT and net borrowings from its investments in Breville and Myer. Share price is as at 21 June 2024, the last trading day before the announcement of the Indicative Proposal.
[113] Calculated as our assessed range of value of the equity of Myer divided by the 837,557,023 ordinary shares.

business, together with consideration of any surplus assets and liabilities, and net cash (excluding lease liabilities). The valuation is summarised as follows:

Myer Valuation Summary ($ millions)

	Section Reference	Valuation Range Low	High
Maintainable EBIT (pre-AASB 16)	11.5.2	75.6	75.6
Capitalisation multiple (minority basis)	11.5.3	5.25	6.25
Value of Myer's operating business (minority basis)		**396.9**	**472.5**
Add: estimated net cash[1]	11.5.4	124.0	124.0
Value of Myer's equity (minority basis)		**520.9**	**596.5**
Number of Myer Shares outstanding	8.7	837.6	837.6
Value per Myer Share (minority basis) ($)		**$0.62**	**$0.71**

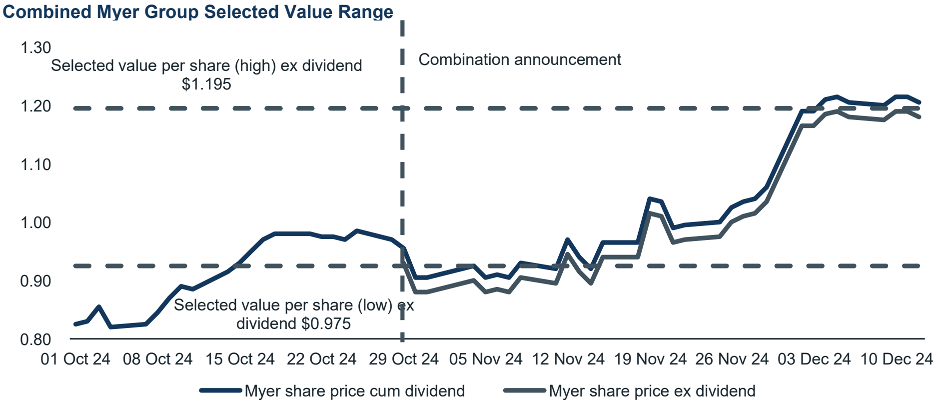
Source: Kroll analysis.
Note 1: Net cash is an estimate of the monthly average net cash balance for Myer (stand-alone), less transaction costs that will be incurred irrespective of whether the Combination proceeds. It does not deduct the Pre-Completion Dividend of 2.5 cents per share that will only be paid of the Combination is implemented or transaction costs that will only be incurred if the Combination proceeds. The net cash balance excludes lease liabilities since Kroll's valuation is prepared on a pre-AASB 16 basis.

In assessing a value range for Myer's operating business on a stand-alone, minority basis, Kroll has adopted a market approach as the primary methodology utilising multiples of EBIT. In selecting an EBIT multiple for Myer on a stand-alone, minority basis, Kroll has had regard to the multiples at which department store companies and retail category specialists in Australia and New Zealand and internationally are trading, as well as transactions involving department store companies. Kroll has cross-checked the values derived from our primary valuation methodology by comparing the resulting value per share to trading in Myer Shares prior to the announcement of the Indicative Proposal. Kroll notes that Myer Shares closed at $0.645 on 21 June 2024, the last trading day prior to the announcement of the Indicative Proposal, which is towards the low end of our range of assessed values for Myer Shares on a stand-alone, minority basis of $0.62 to $0.71.

11.1.3 Valuation of Combined Myer Group Shares

Kroll has selected a value range of $0.95 to $1.22 for the Combined Myer Group Shares on a cum dividend, minority basis, which is equivalent to $0.925 to $1.195 on an ex-dividend basis. The following chart illustrates the range of selected values of a Combined Myer Group Share relative to trading in Myer Shares since 1 October 2024.

Combined Myer Group Selected Value Range



Source: Capital IQ, Kroll analysis

Our valuation of Combined Myer Group Shares is based on trading in Myer Shares since the announcement of the Combination. The selected value range for the Combined Myer Group Shares (ex-dividend) of $0.925 to $1.195 covers most of the trading in Myer Shares since the announcement of the Combination on 29 October 2024, after adjusting for the Pre-Completion Dividend of 2.5 cents per share. The low end of our selected value range is slightly greater than the ex-dividend trading in the first two weeks following the announcement of the Combination, which is appropriate, as Australian and New Zealand retailers subsequently traded higher on positive industry news regarding retail sales[114] and consumer sentiment.[115]

On 29 November 2024, a second broker published forecasts for the Combined Myer Group and set a price target of $1.25, consistent with the first broker's price target which was published shortly after the announcement of the Combination. In addition, on 2 December 2024, analyst Angus Aitken suggested that the Combined Myer Group Shares could see a long-term price of $3.00 to $4.00.[116] On 2 December 2024, the Myer Share price increased by 12.3% to close at $1.19. From then until 12 December 2024, Myer Shares closed in the range of $1.19 to $1.22 ($1.165 to $1.195 ex dividend). The high end of the selected value range is consistent with trading over this period.

Kroll has cross-checked our assessed value of a Combined Myer Group Share by comparing the historical and forecast EBIT multiples implied by our selected value range for the Combined Myer Group Shares to market evidence derived from listed department store companies and retail category specialists and transactions involving department stores.

Refer to Section 11.6 of this report for the valuation of the Combined Myer Group.

11.1.4 Valuation of Consideration Shares

Under the Share Sale and Implementation Agreement, Myer will issue 890.5 million Consideration Shares to Premier upon Completion. Premier Shareholders will not receive the Pre-Completion Dividend of 2.5 cents per share in relation to the Consideration Shares. Based on a value of the Combined Myer Group Shares (ex-dividend) in the range of $0.925 to $1.195, the value of the Consideration Shares is $823.7 to $1,064.1 million.

Valuation of Consideration Shares ($ millions)

	Section Reference	Consideration Shares	
		Low	High
Value per shares in Combined Myer Group (minority basis)	11.6	$0.925	$1.195
Number of Consideration Shares		890.5	890.5
Value of the Consideration Shares		**$823.7**	**$1,064.1**

Source: Kroll analysis.

The value of the Consideration Shares will vary with movements in the Myer Share price. It is possible that the Myer Share price may be higher or lower than Kroll's assessed range of values. Therefore, until the Consideration Shares are issued under the Combination, the Myer Share price will be impacted by changes in overall equity market conditions, industry dynamics and company specific events. The following table illustrates the sensitivity of the implied value of the Consideration Shares to changes in the Myer Share price.

[114] On 2 December 2024, the Australian Bureau of Statistics advised that retail sales had increased by 0.6% in October 2024 relative to the prior month, exceeding the forecast of 0.4% and up from 0.1% in September 2024. Source: "Australian retail sales strengthen,", Bloomberg, Share post, AFR, 2 December 2024.
[115] The Consumer Sentiment Index increased by 5.3% from October to November.
[116] Source: "Myer on track to 'double earnings', The Australian, 2 December 2024.

Sensitivity of the Consideration Shares[1] to Changes in the Myer Share Price ($)

Illustrative Myer Share Price (Ex-dividend)	Implied Value of Consideration Shares
$0.775	$690.1
$0.825	$734.7
$0.875	$779.2
$0.925	**$823.7**
$0.975	**$868.2**
$1.025	**$912.8**
$1.075	**$957.3**
$1.125	**$1,001.8**
$1.175	**$1,046.3**
$1.225	$1,090.9
$1.275	$1,135.4
$1.325	$1,179.9

Source: Kroll analysis.
Note 1: Bold text indicates overlap with Kroll's assessed value per share in the Combined Myer Group (minority basis).

11.2 Approach

11.2.1 Overview

Our valuations of Myer and Apparel Brands have been prepared on the basis of 'fair value'. The generally accepted definition of 'fair value' (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length. 'Fair value' excludes 'special value', which is the value over and above the value that a particular buyer, which can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

In the absence of direct market evidence, fair value is commonly derived by applying one or more of the following valuation approaches:

- the market approach;
- income approach; or
- cost approach.

These approaches are discussed in further detail in Appendix 4. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the asset or business and the actual practice adopted by purchasers of the type of asset or business involved. A secondary methodology is often adopted as a cross-check to ensure the reasonableness of the outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, the market approach and income approach are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich (e.g. real estate investment trusts), a cost approach is typically adopted as there tends to be minimal goodwill, if any.

11.2.2 Selection of valuation methodology

A discussion of the rationale for the selection of the valuation methodologies is set out as follows.

Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. Application of this approach involves the capitalisation of the cash flows or earnings (or revenue) of a business at a multiple that reflects both the

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risks of the business and the future growth prospects of the income it generates. It is commonly adopted where:

- the asset or business or similar assets are actively publicly traded (market comparable methodology);
- there are frequent and/or observable transactions in comparable assets or businesses (comparable transactions methodology); and
- there is a substantial operating history and a consistent earnings trend.

Myer and Apparel Brands each have substantial operating histories and there is no basis to expect that the businesses will be unable to continue indefinitely. In addition, there are a number of publicly traded department stores and specialty retailers and also some transactions involving department stores and specialty retailers from which to calculate meaningful multiples.

Application of this approach involves the capitalisation of the cash flows or earnings of a business at a multiple that reflects both the risks of the business and the future growth prospects of the earnings it generates. This methodology requires an element of professional judgement as to:

- the level of earnings or cash flows that are expected to be maintainable indefinitely, consideration of the broader economic environment in Australia and its impact on retail demand, adjusted for non-recurring items and other known factors likely to impact on future operating performance; and
- an appropriate capitalisation multiple that reflects the risk and growth prospects associated with the level of earnings being capitalised. The capitalisation multiple is usually determined having regard to market evidence derived from comparable transactions and sharemarket prices for comparable companies, whilst also considering the specific characteristics of the business being valued.

The earnings bases to which a multiple is commonly applied include revenue, earnings before interest, taxes, depreciation and amortisation (**EBITDA**), earnings before interest and taxes (**EBIT**), and net profit after tax (**NPAT**). The choice will typically depend on the industry and characteristics of the subject asset or business. We note that EBIT is commonly used to value retail businesses as they are often capital intensive, which means EBIT more accurately reflects the true operating costs of the business, and as EBIT provides a more consistent and reliable comparison between retail businesses with different store ownership models. Consequently, we have adopted EBIT as the earnings base for our valuation and EBIT multiples as the metric for our earnings capitalisation method. Furthermore, in order to facilitate a meaningful comparison, we have based our analysis using operating EBIT as an earnings definition to remove distortions to value caused by items such as significant and one-off and non-operating items which are not part of ongoing operations.

For department stores such as Myer and retailers that have a significant store network, operating leases on stores have a significant impact on financial performance. We have considered EBIT on a pre-AASB 16 basis, which better reflects the cash impact of operating leases.

In considering the appropriate earnings period of the asset or business being valued from which to calculate multiples, factors that a valuer may take into account include whether the historical performance of the asset or business reflects the expected level of future operating performance, including whether significant changes have occurred in the operating environment, such as in a rising interest rate environment, or whether the underlying business is cyclical. Myer and Premier have not provided earnings guidance for Myer and Apparel Brands, respectively, for FY25 and beyond. There are limited broker forecasts for Myer and the Combined Myer Group, while brokers covering Premier only show revenue and EBIT forecasts. Consequently, Kroll has considered FY24 as the most appropriate year of earnings on which to apply a multiple.

Determining the appropriate earnings multiple on which to apply to the earnings base is one of the most judgemental aspects of any valuation. Offers for a particular asset or business provide the most reliable guidance for selecting the earnings multiples, however, in the absence of such offers, the multiple must be inferred from other sources.

The primary methodology used by valuers is to examine the multiples paid by other buyers for similar businesses in recent transactions. Although the multiple in each transaction will be influenced by a unique set of factors, such as prevailing economic conditions, strategic considerations, the availability of synergistic benefits, regulatory frameworks, investment and sharemarket conditions, and the number of competing buyers, a pattern may emerge from transactions involving similar businesses, showing a typical range of multiples. This range often reflects the opportunities (e.g. growth prospects) and risks of the business, with mature businesses with stable, low growth, generally attracting lower multiples than those with high growth potential, all else being equal. The critical task in valuation is assessing the specific business's attributes and distinguishing it from its peers in order to form a judgement as to its position within that range.

We note that the multiples implied by transactions typically include a premium for control, which may be substantial due to synergy or other strategic benefits available to the acquirer. Another approach to determining an appropriate earnings multiple is to consider sharemarket evidence, which reflects the value of minority interests without the inclusion of a control premium. This gives an indication of the prices that investors are prepared to pay for a non-controlling interest in the business.

The analysis of comparable transactions and sharemarket evidence does not often result in a clear conclusion regarding the appropriate multiple or range of multiples that should apply. Multiples can vary significantly for a wide range of reasons, making the application of judgement an essential part of the process. Furthermore, it is important to consider the specific attributes of the business being valued to determine whether they justify a higher or lower multiple compared to peers. This evaluation is inherently a matter of professional judgement.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them. Kroll is not aware of any rules-of-thumb that are used in the valuation of department stores or other retail companies.

Income approach

Under an income approach, the value of an asset or business is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history, there is a variable pattern of cash flow, or the asset or business has a finite life.

The most common application of the income approach is the discounted cash flow (**DCF**) methodology. This methodology allows for cash flows to reflect a range of risks and opportunities and also allows for a range of scenarios to be modelled.

A DCF methodology can be applied to cash flows to the whole asset or business or cash flows to equity. Cash flow to the whole asset or business is most commonly used because an asset or business should theoretically have a single value that is independent of how it is financed or whether income is paid as dividends or reinvested.

Utilising a DCF methodology requires estimation of cash flows for a number of years and discounting those cash flows back to a present value. Myer and Premier have not provided any forecast financial information for Myer and Apparel Brands, respectively. As such, Kroll is unable to utilise a DCF methodology.

Cost approach

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). This approach does not capture the growth potential or internally generated intangible value associated with Myer or Apparel Brands and consequently has not been adopted.

Control premium

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing Apparel Brands and, therefore, our valuation is inclusive of a control premium. Successful transactions are commonly completed with an implied acquisition premium to the pre-trading equity price of the target in the order of

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25% to 40% depending on the individual circumstances.[117] In considering the evidence provided by actual transactions, it is important to recognise that the observed premium for control is an outcome of the valuation process, not a determinant of value, and that each transaction will reflect to varying degrees the outcome of a unique combination of factors, including:

- the acquirer's capacity to realise full control over the strategy and cash flows of the target entity;
- the magnitude of synergies available to all acquirers, for example, the rationalisation of costs related to duplicated functions particularly where there are overlapping geographies, or the removal of costs associated with the target being a listed entity;
- uncertainties related to the timing of full realisation of target synergies;
- the expected costs to migrate and integrate the business;
- the nature of the bidder (i.e. whether the acquirer is a financial investor or a trade participant);
- synergistic or special value that may be unique to a particular acquirer;
- the interest acquired with consideration to the bidder's pre-existing shareholding in the target;
- the prevailing conditions of the economy and capital markets at the time of the transaction with consideration to the position in the overall market cycle;
- desire (or anxiety) for the acquirer to complete the transaction;
- whether the acquisition is competitive; and
- the extent the target company's share price already reflects a degree of takeover speculation.

The premium that is ultimately applied must have regard to the circumstances of each transaction. In some situations, it may be appropriate to apply no premium for control, for example, there are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering. Accordingly, an assessment as to an appropriate control premium, if any, is essentially a matter of judgement.

The multiples derived for listed comparable companies generally reflect prices at which portfolio interests are traded and consequently, they do not include a control premium. They may also be impacted by the level of liquidity in trading of the particular security. Accordingly, when valuing a business as a whole (i.e. on a 100% basis), it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

Myer has advised that it expects to achieve a minimum of $30 million per annum of pre-tax, full run-rate combination benefits (revenue and expense) over the short to medium term. No guidance has been provided as to the expected one-off costs likely to be incurred in achieving these combination benefits. These estimates are potentially conservative and the re-rating of Myer Shares post Combination is an indication that the broader market considers that combination benefits are likely to be above this level. From the announcement of the Combination on 29 October 2024 until 12 December 2024, Myer Shares have traded at a VWAP of $1.08, which represents a premium of 68.7% relative to the one-month VWAP up until the announcement of the Indicative Proposal (refer to Section 11.6.2 of this report).

For transactions involving retail category specialists, control premiums paid were in the range of 20.7% to 56.0%, at a median of 33.6% (refer to Appendix 6 of this report). In addition, Factset transaction data for retailers indicates the median control premium for retail companies to be 33.5% for transactions in the period between 2014 and 2023.

[117] Refer to footnote 18.

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11.3 Market Evidence

11.3.1 Sharemarket evidence

In assessing a multiple to apply to Apparel Brands, Kroll has considered ASX-listed and international retail category specialists. In assessing a multiple to apply to Myer, Kroll notes that there are no ASX listed department store companies. However, we have considered international department stores as well as ASX-listed and international retail category specialists since Myer shares some characteristics with these companies in terms of customers, distribution networks, operating models, and product categories. In assessing the multiples to apply to the earnings of Myer and Apparel Brands, we have considered the followings companies:

- **international department stores**: including Target Corporation (**Target**), Nordstrom, Inc (**Nordstrom**), Kohl's Corporation (**Kohl's**), Dillard's Inc (**Dillard's**), and Macy's Inc (**Macy's**) in the US, Marks and Spencer Group plc (**Marks & Spencer**) and Frasers Group (**Frasers**) in the United Kingdom, Takashimaya Company, Limited (**Takashimaya**) and J. Front Retailing Co., Ltd. (**Front Retailing**) in Japan, and Woolworths Holdings Limited (**Woolworths SA**), which is based in South Africa but has operations in Australia and New Zealand. Relative to Myer, most of these companies tend to have a similar focus on products and a broadly similar target market, with the main differences being in the scale of operations. Target is the outlier within this group both in terms of both scale and target market, as it is significantly larger than the other department store companies and generally offers lower price points;
- **Australia and New Zealand retail category specialists**: including Harvey Norman Holdings Limited (**Harvey Norman**), Super Retail Group Limited (**Super Retail**), JB Hi-Fi Limited (**JB Hi-Fi**), Nick Scali Limited (**Nick Scali**), Universal Store Holdings Limited (**Universal Store**), Adairs Limited (**Adairs**), and Accent Group Limited (**Accent Group**) which are ASX listed, as well as KMD Brands Limited (**Kathmandu**), and Hallenstein Glasson Holdings Limited (**Hallenstein Glasson**) which are listed on the NZX but operate in both Australia and New Zealand. Each of these companies has its own branded stores set up to sell product bearing their brand, or to sell a range of related products with an array of third-party brands, in a similar manner to Apparel Brands. They specialise in particular product categories e.g. JB Hi-Fi specialises in consumer electronics, Nick Scali specialises in furniture, Kathmandu specialises in outdoor hiking gear, and Universal Store specialises in apparel. Others offer more than one product category e.g. Super Retail offers automotive products and sporting goods and Harvey Norman offers furniture, consumer electronics and home renovation products; and
- **international retail category specialists**: including American Eagle Outfitters Inc (**American Eagle**), Urban Outfitters, Inc (**Urban Outfitters**), Abercrombie & Fitch Co. (**Abercrombie & Fitch**), The Gap, Inc (**The Gap**), and Levi Strauss & Co. (**Levi Strauss**). These companies are operationally very similar to the Australian/New Zealand clothing retailers, however, they typically have larger scale operations and a greater international presence (i.e. diversification).

Further detail on these companies is set out in Appendix 5 of this report.

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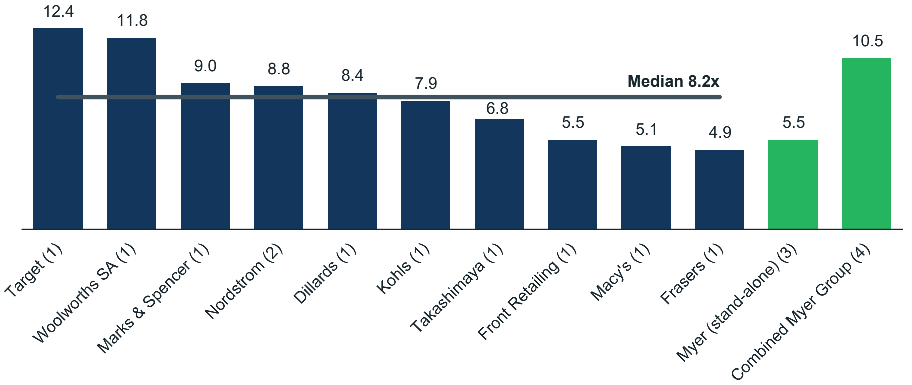
Department store EBIT multiples

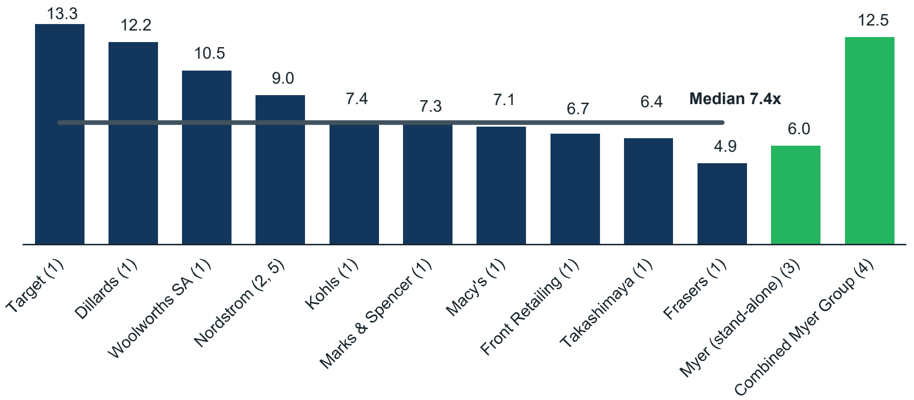
The following charts summarise the historical and forecast trading multiples for the comparable international department store companies as well as the multiples for Myer on a stand-alone basis and for the Combined Myer Group.

International Department Store Historical EBIT Multiples



Source: S&P Capital IQ, Company financial statements, Kroll analysis.
Notes:
1. All company multiples except Myer (stand-alone), Combined Myer Group, and Nordstrom, are based on the share price on 12 December 2024 and their most recent financial reporting.
2. The multiples for Nordstrom, which is subject to a takeover offer, are calculated based on the 'unaffected' share price as at 17 April 2024.
3. Myer (stand-alone) multiples are based on the closing share price on 21 June 2024 and FY24 audited results for Myer.
4. Combined Myer Group multiples are based on the closing share price on 12 December 2024 and the pro forma FY24 EBIT for the Combined Myer Group (including Apparel Brands and combination benefits).

International Department Store Forecast EBIT Multiples



Source: S&P Capital IQ, Company financial statements, Kroll analysis.
Notes:
1. All company multiples, other than Nordstrom, Myer (stand-alone), Combined Myer Group, are based on the share price on 12 December 2024 and NTM broker consensus.
2. The multiples for Nordstrom, which is subject to a takeover offer, are calculated based on the 'unaffected' share price as at 17 April 2024.
3. Myer (stand-alone) multiples are based on the closing share price on 21 June 2024 and NTM broker forecast to 27 January 2025.

Notes (continued):

4. Combined Myer Group multiples are based on the closing share price on 12 December 2024 and the FY25 broker forecast for the Combined Myer Group (includes Apparel Brands, however, it does not appear to include any material combination benefits as the Combination is only expected to close in February 2025 and combination benefits are expected to be generated incrementally over time).
5. The multiples for Nordstrom, which is subject to a takeover offer, are calculated based on the 'unaffected' share price as at 18 March 2024.

The following factors are relevant to the consideration of the department store multiples:

- the multiples reflect trading of portfolio interests in the companies and do not include a premium for control;
- the selected department store companies have elements of comparability, and also face similar external factors to Myer, including macroeconomic factors (e.g. inflation, cost of living pressures), competition, and shifts in consumer preferences (e.g. online shopping);
- we note that the median historical EBIT multiple (8.2 times) is:
  - higher than the median forecast EBIT multiple (7.0 times) despite a number of the department store companies expecting to experience a decline in earnings next year, which is consistent with the structural decline in department store revenues in real terms as noted in Section 7.4 of this report;
  - lower than the median historical EBIT multiple for Australian retail category specialists (11.2 times) due to the structural decline for department stores but similar to the median historical EBIT multiple for US retail category specialists (8.2 times), likely reflecting the greater level of competition in the US market;
- the earnings multiples at which the department store companies are trading are driven by several factors, including:
  - **scale and diversification:** perceived lower risk resulting from greater scale, stronger brand reputation, and greater diversification as a result of, for example, the presence of international operations. Greater scale also allows for economies of scale, especially as department stores consolidate their brick-and-mortar stores by reducing the number of rented floors inside stores and closing some rented locations;
  - **loyalty programs**: department stores use loyalty programs to leverage their brand strength and consumers' perception of to drive sales and customer retention. These programs include Target's Target Circle program, Dillard's Dillard's Elite and Dillard's Rewards programs, Nordstrom's Nordy Club program, and Kohl's Kohl's Rewards program;
  - **growth:** the primary drivers of earnings growth are:
    - the company's initiatives in terms of ongoing strategy and operational changes, including cost savings initiatives, new and planned store openings, and their online sales mix;
    - structural changes in the industry, including the increase in online and international brands; and
    - cyclical factors, with high levels of inflation and weak consumer demand. Following the COVID-19 pandemic department stores experienced strong growth in sales as lockdowns and social distancing eased, customers had an elevated levels of savings and there was pent-up consumer demand. Subsequently, sales have declined with most of the comparable department stores showing negative historical and forecast revenue growth. With the expectation that these external conditions will eventually ease, investors are looking at the strategies that companies are using to drive future performance. Additionally, companies such as Target are seen as being likely more resilient in times of industry headwinds as it offers lower price points, which is more likely to attract customers as they become more price sensitive and offset declining sales from existing customers;
  - **property ownership:** department store companies which have large property portfolios typically have higher multiples. In the case of Target and Dillard's, both companies own a substantial share of their properties. Macy's and Nordstrom similarly have large property portfolios and also have holdings in prime locations with the Macy's flagship store alone estimated to be valued at US$3 billion. Other companies such as Marks & Spencer have a greater share of leased properties;

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- historical EBIT multiples are in the range of 4.9 to 12.4. The high end of the range is represented by:
  - Target (12.4 times historical EBIT), which is substantially larger than all of the other companies ($97.1 billion market capitalisation) and has a moderate EBIT growth outlook (three-year CAGR of 6.7%);
  - Woolworths SA (11.8 times historical EBIT), likely reflecting its very strong growth outlook (a three-year CAGR of 13.4%). It has a greater degree of geographical diversification than some of the other department store comparable companies, with operations in sub-Saharan Africa, Australia and New Zealand and moderate scale relative to the peers ($5.1 billion market capitalisation);
  - Marks & Spencer (9.0 times historical EBIT), reflecting its substantial scale ($15.7 billion market capitalisation), more diversified product range and relatively strong growth outlook (three-year CAGR of 12.6%); and
  - Nordstrom (8.8 times historical EBIT). Nordstrom has moderate scale relative to the peers ($4.2 billion market capitalisation[118]) and its earnings are expected to decrease marginally by 0.5% over the next two years as it continues to close stores, it has a relatively high multiple. This may reflect the value of its substantial owned property portfolio, which includes some of the best shopping locations in the United States. As at 25 January 2024, it owned 24 Nordstrom buildings on owned land and 55 Nordstrom buildings on leased land. It was also subject to investor activism, which may have impacted multiples.
- the low end of the range is represented by Frasers (4.9 times historical EBIT) and Macy's (5.1 times historical EBIT). Frasers is expected to experience a moderate EBIT growth of 4.7% over the next three years, however, is of moderate scale relative to the peers ($5.4 billion). Macy's is of relatively large scale ($7.1 billion market capitalisation), however, it is expected to experience a compound annual decline in EBIT over the next three years of 3.2%; and
- Dillard's, Kohl's, Takashimaya and Front Retailing have moderate multiples in the range of 5.5 to 8.4 times historical EBIT. Kohl's and Takashimaya are expected to experience moderate compound annual EBIT growth of 3.7% and 4.5%, respectively, over the next three years, however, they are the smallest of the peer group (market capitalisation of $2.5 billion and $4.0 billion, respectively). Front Retailing is expected to experience a marginal compound annual decline in EBIT of 0.5% over the next three years, and is of moderate scale relative to the peers ($5.0 billion market capitalisation). Dillard's is of substantial scale ($11.3 billion market capitalisation), however, is expected to experience a compound annual EBIT decline of 26.5% over the next two years.

[118] Market capitalisation presented as of 18 March 2024, the date before the news of acquisition of Nordstrom was reported.

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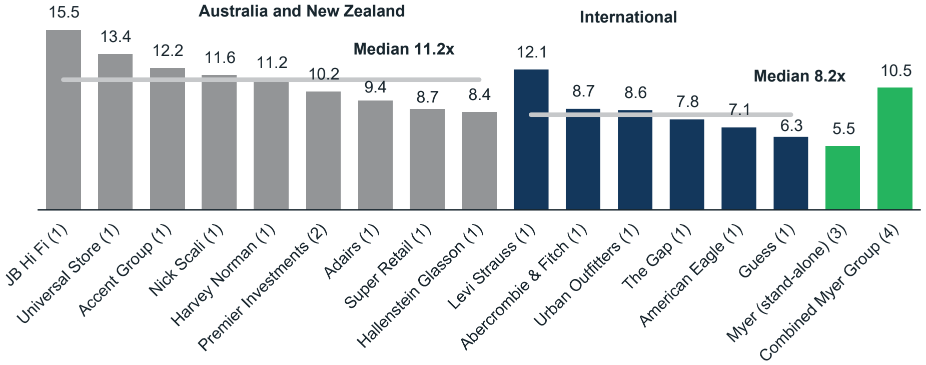
Retail category specialists EBIT Multiples

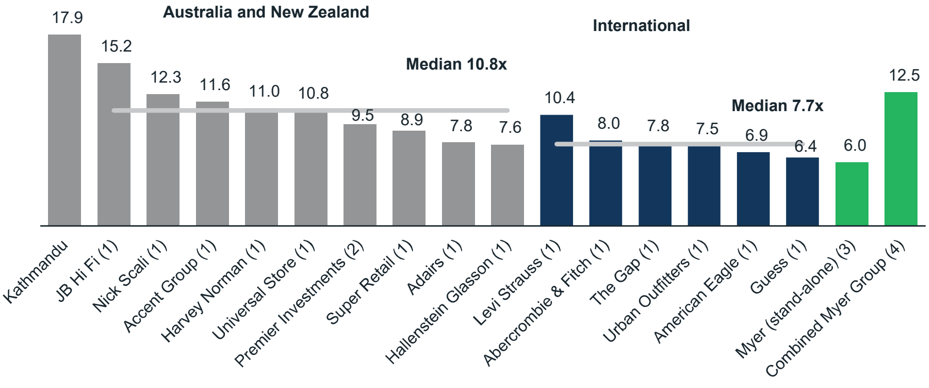
The following charts summarise the historical and first forecast year trading multiples for the retail category specialists as well as the multiples for Myer on a stand-alone basis and for the Combined Myer Group.

Retail Category Specialists Historical EBIT Multiples



Source: S&P Capital IQ, Company financial statements, Kroll analysis.
Notes:
1. All company multiples, other than Premier, Myer (stand-alone), and Combined Myer Group, are based on the share price on 12 December 2024 and their most recent financial reporting.
2. Multiples for Premier are based on closing share prices on 21 June 2024 and the LTM to 31 December 2023 EBIT on a proportionately consolidated basis for its investments in Myer and Breville.
3. Myer (stand-alone) multiples are based on the closing share price on 21 June 2024 and FY24 actual results for Myer.
4. Combined Myer Group multiples are based on the closing share price on 12 December 2024 and the pro forma FY24 EBIT for the Combined Myer Group (including Apparel Brands and combination benefits).

Retail Category Specialists NTM EBIT Multiples



Source: S&P Capital IQ, Company financial statements, Kroll analysis.
Notes:
1. All company multiples, except for Premier, Myer (stand-alone), and the Combined Myer Group, are based on the share price on 12 December 2024 and broker consensus.
2. The multiples for Premier are based on the closing share prices on 21 June 2024 and broker consensus for NTM results and includes Premier's proportionate share of earnings and debt from Breville and Myer.
3. Myer (stand-alone) multiples are based on the closing share price on 21 June 2024 and the NTM to 27 January 2025 broker forecast for Myer.

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Notes (continued):

4. Combined Myer Group multiples are based on the closing share price on 12 December 2024 and the FY25 broker forecast for the Combined Myer Group (includes Apparel Brands but it does not appear to include any material combination benefits as the Combination is expected to close in February 2025 and combination benefits are expected to be generated incrementally over time).
5. Australia and New Zealand median excludes Kathmandu as it is not included in the historical period as its multiples are not meaningful as multiples are calcuated off a very low base of earnings.

The following factors are relevant to the consideration of the comparable company multiples:

- the multiples reflect trading of portfolio interests in the companies and do not include a premium for control;
- the selected retail category specialists have elements of comparability, and also face similar external factors to Myer and Apparel Brands, including macroeconomic factors (e.g. inflation, cost of living pressures), competition, and shifts in consumer preferences (e.g. online shopping);
- the earnings multiples at which the comparable companies are trading are driven by several factors, in particular the scale of their operations and future growth prospects. Additionally, we note that the primary drivers of earnings growth are the success of ongoing strategy and operational changes, including cost savings initiatives, new and planned store openings, and their online sales mix;
- retail stores have several characteristics which contribute to them trading at higher multiples. These characteristics include:
  - **scale**: retailers operating at larger scales are often better positioned to leverage their size to more efficiently run the company. This is through avenues such as the streamlining of supply chains, distribution networks, and consolidation of physical stores. In both the Australia and New Zealand, and International groups of retail category specialist companies, the larger companies are typically trade at higher multiples, such as JB Hi-Fi, Accent Group, and Nick Scali, and Levi Strauss, Abercrombie & Fitch, and The Gap;
  - **brand strength**: encompasses factors which influence how consumers perceive a company, such as perceptions of shopping experience, product quality, reliability, and product availability. Companies with clear product specialisations, such as JB Hi-Fi, Nick Scali, Levi Strauss and Abercrombie & Fitch, which have created clear expectations within consumers around exactly what they will find in their stores tend to trade at higher multiples;
  - **loyalty programs**: retail category specialists use loyalty programs to leverage their brand strength and consumers' perception of to drive sales and customer retention. These programs include JB Hi-Fi's JB Perks, Accent Group and Harvey Norman's partnerships with the Qantas Frequent Flyer program, and Abercrombie & Fitch's myAbercrombie program;
  - **growth:** companies that are expected to experience higher growth generally trade at higher multiples. We note that forecast EBIT multiples for the retail category specialists are lower than historical EBIT multiples, reflecting anticipated earnings growth; and
  - **competition:** the retailer category specialists that are based in the United States are generally much larger than the Australian companies, have larger stores networks or have a more diversified range of brands. However, the median multiple for these companies (8.2 times historical EBIT) is lower than for the Australian and New Zealand companies (11.2 times historical EBIT), potentially as a result of the greater level of competition in the United States and their resulting lower margins.
- of the Australia and New Zealand retailers, the largest is JB Hi-Fi at a market capitalisation of $10.2 billion and the smallest is Kathmandu, with a market capitalisation of $264.3 million;
- growth expectations over the next three years for retailers are in general more optimistic than for department stores, with EBIT CAGRs showing positive growth for all retailers. Some retailers, such as Levi Strauss, Nick Scali, Universal Store and Adairs are expected to see significant growth with FY+3 EBIT CAGRs of 13.2%, 10.7%, 14.9% and 14.4% respectively;
- the sales growth trend observed for retailers overall can also be observed for retailers based in Australia and New Zealand, which experienced subdued growth rates in the last year but are expected to improve through FY+3 (such as Harvey Norman 4.0% CAGR, Super Retail 4.4% CAGR, and Accent Group 6.2% CAGR); and

- EBIT margins across retailers exhibit a significant range, from 1.6% for Kathmandu to 14.4% for Harvey Norman, noting however the latter's differing business model which includes a mixture of company owned and franchised stores as well as a focus on home appliances and electronics. Other Australia and New Zealand retailers have EBIT margins that are moderate relative to the other peers (Super Retail 9.2%, Accent Group 7.9%, and Hallenstein Glasson 11.2%).

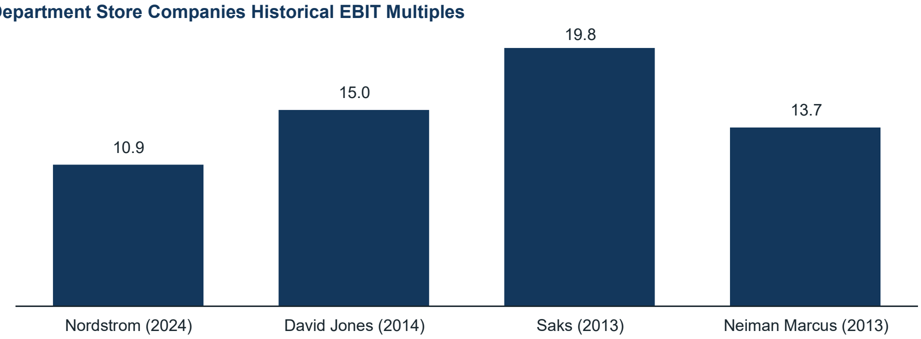
11.3.2 Transaction evidence

Kroll has also considered several transactions involving department store companies and retail category specialists in Australia and internationally. Further detail is provided in Appendix 5 of this report.

Department store companies EBIT multiples

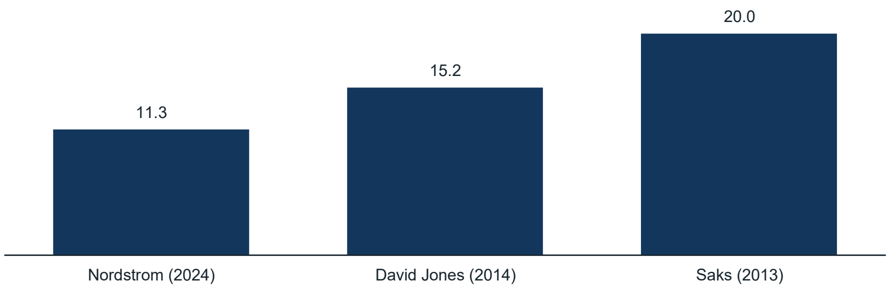
The following charts summarise the historical and first forecast year trading multiples for department store companies.

Department Store Companies Historical EBIT Multiples



Source: S&P Capital IQ, Company financial statements, Kroll analysis.
Notes:
1. Historical EBIT multiples are based on LTM of financial reportings on a pre-AASB 16 basis.
2. We noted more recent acquisitions of David Jones and Neiman Marcus in 2023 and 2024 respectively. However, David Jones' earnings data was not provided on a pre-AASB 16 basis, and Neiman Marcus' financial data is unavailable. Consequently, comparable EBIT multiples for these transactions could not be determined.

Department Store Companies Forecast EBIT Multiples



Source: S&P Capital IQ, Company financial statements, Kroll analysis.
Note 1: Forecast EBIT multiples are based on NTM of broker consensus forecasts on a pre-AASB 16 basis.

The following factors are relevant to the consideration of the department store EBIT multiples:

- comparable transactions historical EBIT multiples fall in the range of 10.9 to 19.8 times historical EBIT;
- the transaction multiples include a control premium. The consideration paid for David Jones Pty Limited (**David Jones**), Saks Incorporated (**Saks**) and Nordstrom represented premiums of 39.4%, 30.3% and 34.8%, relative to the last unaffected share prices (refer to Appendix 6 of this report).

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Excluding these premiums, the multiples reduce to 11.0, 14.7, and 9.1 times, historical EBIT, respectively. Neiman Marcus was not publicly listed at the time of the transaction;

- we note that the implied multiples for many of the comparable transactions are relatively flat from the historical period to the forecast period as a result of low expected future growth in earnings, and in some cases these multiples increase indicating progressive declines in earnings;
- transactions which attracted higher multiples had various combinations of the following key drivers:
  - **size:** in general, larger companies tend to operate, and transact, at higher multiples. The largest transaction was Nordstrom (equity value of $5.6 billion), followed by Neiman Marcus (equity value of $3.7 billion), Saks (equity value $2.6 billion) and David Jones (equity value of $2.1 billion) for the department stores;
  - **EBIT growth**: Nordstrom is projected to see a compound annual growth rate (**CAGR**) increase of 0.2% in EBIT over the next three years following the transaction announcement. David Jones and Saks expected to experience EBIT declines of 0.8% and 7.4%, respectively, over the 12 months following the announcement of their transactions;
  - **synergies:** substantial synergies were expected through the acquisition of department stores with David Jones ($130.0 million of identified synergies, or 5.9% of enterprise value) and Saks (C$100 million of synergies, or 3.3% of enterprise value). If synergies are included in earnings, the historical multiples for David Jones and Saks reduce to 8.0 and 11.5 historical EBIT, respectively. Anticipated synergies were not publicly disclosed for the Nordstrom or Neiman Marcus transactions;
  - **competitive bidding process:** the consideration paid by Woolworths SA for David Jones represented a premium of 39.4% to the closing share price on 30 January 2014 (prior to the Myer 'merger of equals' proposal for David Jones). In part, this reflects that the transaction was undertaken as part of a competitive bidding process, as well as the substantial synergies anticipated;
  - **structural changes in the industry:** the David Jones, Saks and Neiman Marcus transactions occurred in a different competitive landscape. In Australia, at the time of the David Jones transaction, although there was competition from online and international brands, this trend was at an earlier stage, with H&M having only just arrived in Australia. In the 10 years since the David Jones transaction, the outlook for department stores has deteriorated further, with the entrance of Chinese ultra-cheap fast fashion retailer Shein and online marketplace Temu, with the two companies gaining market share due to heavy discounting and aggressive social media marketing spend.[119] The competition from new entrants who have captured significant market share has been a key reason for the collapse of many Australian apparel brands including Oroton in 2018 and Mosaic Brands in 2024.[120] At the time of the David Jones transaction, Myer was trading at a multiple of 8.5 times FY14 EBIT, whereas immediately prior to the announcement of the Indicative Proposal, Myer was trading at a multiple of 5.6 times historical EBIT. Furthermore, Kroll notes that Woolworths SA sold David Jones (excluding the Market Street property) in March 2023 for $92.7 million.[121] There have also been department store collapses in the United States, including Sears Holding Corp (**Sears**) in 2018, J.C. Penney Company, Inc (**JC Penney**) in 2020, and Neiman Marcus in 2020;
  - **cyclical changes:** these transactions occurred in different years, meaning subject companies were operating in different economic environments when the transactions occurred. These differing economic environments influenced both current and future performance. The Nordstrom transaction multiple may reflect the current challenging macroeconomic environment, which has impacted consumer discretionary income and consumer sentiment;
  - **property ownership:** multiples for each of these companies likely reflect significant value attributed to the ownership of property. As noted in the independent expert's report for David Jones, in 2012, David Jones engaged an independent property consultant to assess the value of its four CBD flagship stores. The assignment was not a formal valuation but was an estimate of the hypothetical sale value based on existing use and certain assumptions as to the rental stream. The consultant

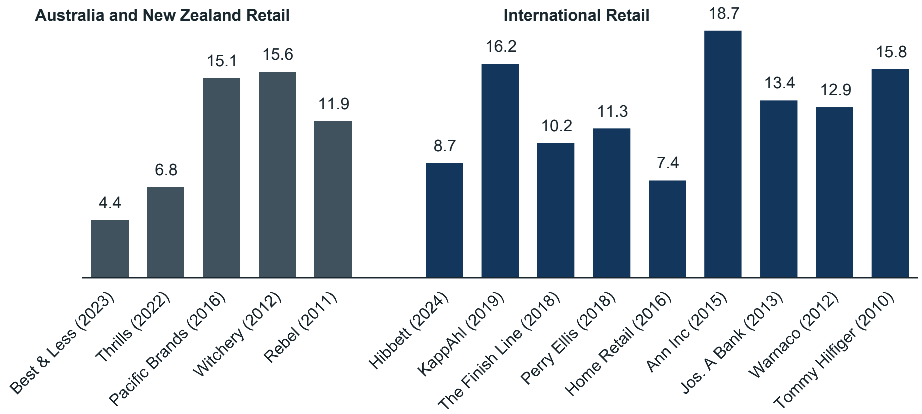
[119] AFR; From nothing to $1b: Inside Temu and Shein's flying start in Australia, March 2024.
[120] RMIT; Legacy retailer enters voluntary administration, October 2024.
[121] 2023 Woolworths SA Annual Report.

estimated a value of $612 million (compared to book value, including integral plant, of $451.8 million). At the time of the transaction, David Jones had lodged a preliminary development application to build above the Market Street property. The independent expert attributed a value of $50 million to $75 million to 'air rights' in relation to the Market Street property. Similarly, Saks owned 27 of its stores including its flagship store located on Fifth Avenue in New York which had an estimated value of approximately US$1.0 billion at the time of the transaction.[122] Neiman Marcus at the time of the transaction owned 24 of its stores including its flagship store in Dallas, Texas. Furthermore, as noted previously, Nordstrom has significant real estate holdings including 79 stores across the United States which have an estimated value of between US$1.5 billion and $US1.9 billion.[123]

Retail category specialists EBIT multiples

The following charts summarise the historical and first forecast year trading multiples for the target companies discussed in our comparable transactions analysis.

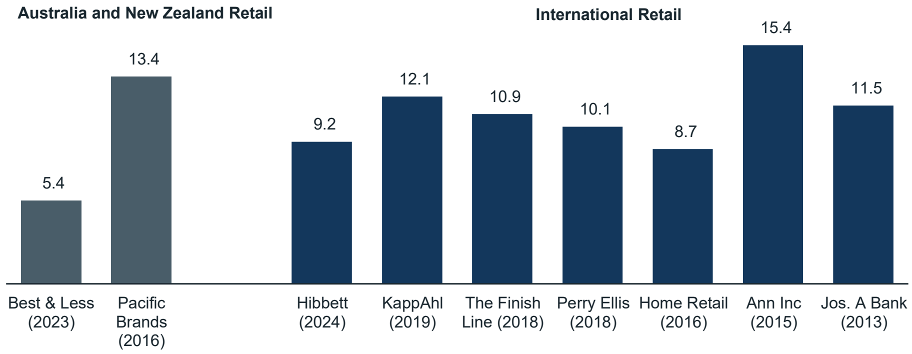
Retail Category Specialists Historical EBIT Multiples



Source: S&P Capital IQ, Company financial statements, Kroll analysis.
Notes:
1. Historical EBIT multiples are based on LTM of financial reportings on a pre-AASB 16 basis.
2. Best & Less at the time of the transaction was experiencing large declines in revenue.

[122] Reuters; Hudson's Bay CEO bets big on department stores with Saks buy, July 2013.
[123] BOFA; Reported LBO may stay on the Rack; maintain Underweight, March 2024.

Retail Category Specialists Forecast EBIT Multiples



Source: S&P Capital IQ, Company financial statements, Kroll analysis.
Notes:
1. Historical EBIT multiples are based on LTM of financial reporting on a pre-AASB 16 basis.
2. Best & Less at the time of the transaction was experiencing large declines in revenue.

The following factors are relevant to the evaluation of the comparable transaction EBIT multiples:

- the transactions generally include a control premium with premiums paid ranging between 20.7% and 56.0% and with the highest premiums from the last undisturbed trading date being 56.0% 43.0%, and 38.8% paid for Jos. A. Bank Clothiers (**Jos. A. Bank**), KappAhl AB (publ) (**KappAhl**), and Home Retail Group Limited (**Home Retail**) respectively;
- comparable transactions historical EBIT multiples fall in a wide range of 4.4 to 18.7 times historical EBIT;
- transactions which attracted higher multiples had various combinations of the following key drivers:
  - **size:** in general, larger companies tend to operate, and transact, at higher multiples. Of the comparable transactions, the largest ones were Ann Inc. (**Ann Inc**) (equity value of $2.9 billion), Home Retail (equity value of $2.1 billion), and Hibbett, Inc (**Hibbett**) (equity value of $1.6 billion) for retail stores. On the other hand, Best & Less and Thrills are relatively small ($236.9 million and $34.6 million equity value, respectively) and were acquired at historical EBIT multiples of 4.4 times and 6.8, respectively;
  - **brand strength:** as discussed in Section 11.3.1 of this report, brand strength is a key factor driving multiples for retail category specialists as it influences consumers perceptions of a company and drives shopping behaviour and brand loyalty;
  - **EBIT growth**: companies with the highest forecast EBIT growth rates were KappAhl (34.1%), Ann Inc (21.6%), Warnaco Group Inc (**Warnaco**) (25.7%), Jos. A. Bank (16.9%) and Pacific Brands Limited (**Pacific Brands**) (13.1%). As such, despite being relatively small ($234.4 million equity value), KappAhl was acquired at a multiple of 16.2 times historical EBIT. Ann Inc, which is also of substantial scale, was acquired at a historical multiple of 18.7 times EBIT, which is the highest of all the transactions. Pacific Brands, which is moderate in scale relative to the peers, was acquired at a relatively high multiple of 15.1 times historical EBIT;
  - **synergies:** cost savings and efficiencies which are expected to be realised post-acquisition often support higher multiples as they represent expected increases in profits. In the Hibbett, Ann Inc, and Jos A Bank transactions, synergies of US$25.0 million (2.1% of enterprise value), US$150.0 million (6.2% of enterprise value), and US$125.0 million (9.1% of enterprise value), respectively, were identified. When these synergies are added to EBIT, their multiples decline to 7.3, 8.6, and 6.1 times respectively;

- **competitive bidding process:** Home Retail received an initial offer from Steinhoff International Holdings NV in February 2016 after the offer by J Sainsbury plc on 5 January 2016. The offer by J Sainsbury plc, which was successful, represented a premium of 38.8% to the closing share price on 4 January 2016. In part this reflects that the transaction was undertaken as part of a competitive bidding process, as well as the synergies anticipated; and
- **cyclical factors:** these transactions occurred in different periods, meaning subject companies were operating in different economic environments when the transactions occurred. As discussed above, some transactions occurred during periods of economic downturn which drove multiples lower. Others, such as KappAhl, The Finish Line, and Perry Ellis which occurred over 2018 and 2019, transacted during periods of stronger global economic growth and stability which drove higher multiples.

11.4 Valuation of Apparel Brands

11.4.1 Summary

Under the Share Sale and Implementation Agreement, in exchange for the Consideration Shares, Premier will contribute Just Group which will own the Apparel Brands operating business and will retain $82.0 million of cash. Based on our assessed value of Apparel Brands' operating business of $766.3 million to $864.3 million (control basis), the value of Apparel Brand's equity (including the retained cash) is $848.3 million to $946.3 million.

The valuation is summarised as follows:

Apparel Brands Valuation Summary ($ millions)

	Section Reference	Valuation Range Low	High
Maintainable sales	11.4.2	790.0	810.0
Maintainable EBIT margin	11.4.2	9.7%	9.7%
Maintainable EBIT (pre-AASB 16)	11.4.2	**76.6**	**78.6**
Capitalisation multiple (control basis)	11.4.3	10.0	11.0
Value of Apparel Brands' operating business (control basis)		**766.3**	**864.3**
Retained cash		82.0	82.0
Value of Apparel Brands' equity (control basis)		**848.3**	**946.3**

Source: Kroll analysis.

In assessing a value range for Apparel Brands' operating business, Kroll has adopted a market approach as the primary methodology utilising multiples of EBIT. In assessing an appropriate multiple to apply to Apparel Brands, Kroll considered the multiples implied by recent transactions involving retail category specialists in Australia and New Zealand and internationally, as well as the multiples at which retail category specialists in these regions are trading.

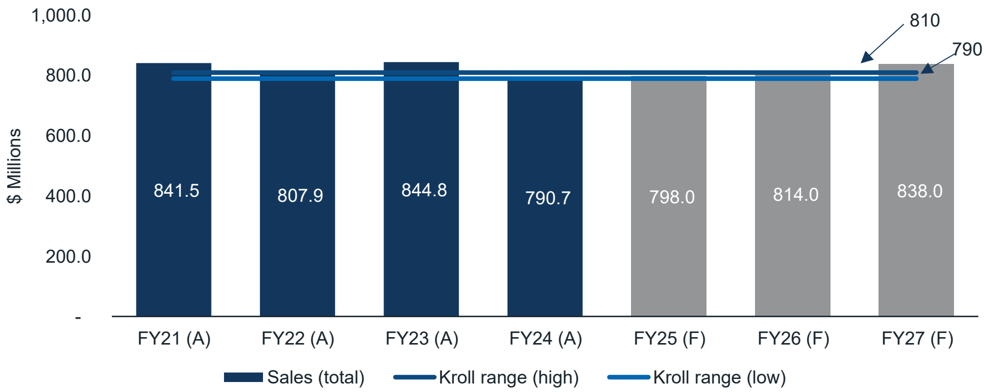
11.4.2 Maintainable earnings

The selected maintainable earnings are based on an assessment of maintainable sales and maintainable EBIT margin.

Maintainable sales

Sales of Apparel Brands is comprised of the sales of each of the Brands. Kroll has selected maintainable sales for Apparel Brands in the range of $790 million to $810 million. The following figure shows Apparel Brands' sales from FY21 to FY27 and Kroll's selected maintainable sales range.

Apparel Brands' Sales



Source: Premier Annual Reports and investor presentations

Notes:
1. FY21 to FY24 sales are based on actual Apparel Brands results.
2. FY25 to FY27 sales reflects the broker's consensus sales (refer to Section 9.4.3 of this report).

In relation to Apparel Brands sales we note the following:

- Kroll considers that FY24 should be the base year for maintainable earnings since sales reflect a full year of trading under the current challenging macroeconomic environment;
- from FY21 to FY24, sales decreased at a CAGR of (2.1%), reflecting to an extent the net decrease in store numbers, offset by online sales. While FY21 and FY23 were standout years, the current cost of living challenges in Australia impacted retail sales in FY24;
- brokers expect sales in FY25 to remain largely flat compared to FY24 and to only improve moderately in FY26 (2.0% growth) and FY27 (2.9% growth), growing at rates consistent with long term inflation estimates for Australia. We note the broker consensus sales for FY27 remain slightly below FY23 levels; and
- there is a risk that macroeconomic conditions in Australia may remain challenging for longer than currently expected, delaying the expected growth in Apparel Brands sales.

Having regard to the above factors, Kroll has selected maintainable sales in the range of $790 million to $810 million, which is consistent with FY24 and overlaps the brokers' consensus sales forecast range from FY25 to FY27.

Maintainable EBIT (pre-AASB 16) margin

A maintainable EBIT margin was applied to the maintainable sales to determine a maintainable EBIT. Kroll has selected the FY24 EBIT (pre-AASB 16) margin of 9.7% as a maintainable EBIT margin. In relation to this selection we note the following:

- FY24 EBIT (pre-AASB 16) decreased by 31.7% from FY23, reflecting a decline in sales, gross profit, and increased selling and administration expenses, and lease liabilities;
- Premier has not provided FY25 guidance in relation EBIT;
- most brokers do not provide forecast EBIT or EBIT margin information on Apparel Brands beyond FY26. One broker has provided a forecast EBIT for FY27, and has assumed that EBIT margin increases to 13.8%, which is slightly above the EBIT margin for FY23 of 13.3%. As a result, broker consensus EBIT increases at a CAGR of 11.9% from FY24 to FY27. However, as this forecast is based on a single broker estimate, caution is warranted;
- from FY21 to FY24 Premier has reported the following for its retail segment (which includes Apparel Brands in addition to Smiggle and Peter Alexander):

- similar management of inventory and leases;
- small variances in underlying gross margins (between 62.2% in FY23 and 64.8% in FY22); and
- small variances in underlying EBIT margins (between 20.4% in FY24 and 22.4% in FY22).

- in FY22 Premier expanded the footprint of its Melbourne and Auckland distribution centres, with no more recent expansions of the local distribution centres reported; and
- while the Apparel Brands stores network has experienced significantly more closings than openings per year since FY21, in FY24 there were 12 openings and 10 closings, indicating a potential stabilisation in the number of stores.

Having regard to the above factors, we consider that the FY24 EBIT (pre-AASB 16) margin of 9.7% of Apparel Brands offers a reasonable representation of a maintainable margin, and have reflected the anticipated growth in EBIT margin in the selection of the EBIT multiple.

11.4.3 Selected EBIT multiple

In determining an appropriate range of capitalisation multiples to apply to the maintainable EBIT for Apparel Brands, we have considered:

- multiples implied by recent transactions involving retail category specialists; and
- trading multiples of comparable retailers in Australia and New Zealand, noting that these reflect trading in minority parcels of shares.

Kroll has selected an EBIT multiple (control basis) in the range of 10.0 to 11.0. Our selected multiple takes into account:

- the multiples implied by historical transactions of retail category specialists:
  - the historical EBIT multiples of comparable transactions fall between 4.4 and 18.7 times, with higher multiples driven by factors such as brand strength, size and synergies, among others, as described in Section 11.3.2 of this report;
  - in Australia and New Zealand, we have considered five apparel retailers acquired from 2011 to 2023, being Rebel (2011), Witchery (2012) Pacific Brands (2016), Thrills (2022) and Best & Less (2023). Of these companies, Best & Less attracted the lowest multiple (4.4 times historical EBIT) as it was acquired in an off-market takeover following a significant earnings downgrade in May 2023. While Thrills' implied EBIT multiple was 6.8 times, the other three companies attracted multiples around or above the median of all comparable transactions;
  - Rebel was considered a national leader in sporting goods retailing, with a strong brand awareness. Through its acquisition, Super Retail Group expected to benefit from strong future growth, mid-single digits earnings per share accretion (pre-synergies) and annualised synergies of $10 million, or 1.1% of the deal value;
  - Witchery, acquired by Country Road, was a leading fashion brand, offering apparel and accessories for women, men and children. It was expected to result in an earnings per share accretion of 20% (pre-synergies) for Country Road, and annual synergies of $10 million, or 5.3% of the deal value;
  - while no public information regarding synergies and earnings per share accretion is available in relation to the acquisition of Pacific Brands by Hanesbrands, the strategic rationale was to integrate it into Hanesbrands' large scale, low cost global supply chain, an expectation that would have driven the control premium paid; and
  - in 2022 Universal Store acquired Thrills, a small premium youth fashion brand retailer with an equity value of $34.6 million in FY22 and a nascent store presence. Thrills experienced significant revenue growth of 21.4% in FY22, with a strong underlying EBIT margin of 21.2%. Universal Store estimated an 18.0% pro-forma earnings per share accretion from this acquisition for FY22.
- the median control premium for transactions involving retail category specialists is 33.6% (refer to Appendix 6 of this report) and the median control premium for retail company transactions in the period from 2014 to 2024 sourced from Factset is 33.5%. If the equivalent minority discount of 25.1% is applied to the equity value of Apparel Brands (control basis), the implied minority multiple for

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Apparel Brands is 7.2 to 8.0 times FY24 EBIT, which is below the trading multiples for all of the Australian retail category specialists Kroll has observed and well below Premier's pre-Indicative Proposal multiple of 10.2 times historical EBIT (noting that the S&P/ASX 200 Consumer Discretionary Index has subsequently increased by 12.0%). In this regard:

  - the trading multiples for Australia and New Zealand retailers are generally in the range of 8.4 to 15.5 times historical EBIT (refer to Section 11.3.1 of this report). Companies with larger revenue and a strong growth outlook tend to attract higher multiples;
  - Apparel Brands is larger in scale (in terms of annual sales) than Adairs and Hallenstein Glasson, which are trading at historical EBIT multiples of 9.4 and 8.4 times, respectively; and
  - while brokers expect the sales growth of Apparel Brands to be relatively flat in FY25 compared to FY24 and moderate in FY26 and FY27 (a 2.0% CAGR over the three year period), broker consensus EBIT is expected to increase at a CAGR of 11.9%. Australian and New Zealand retailers are generally expected to experience relatively high EBIT growth. Adairs and Hallenstein Glasson's EBIT are expected to experience annualised growth of 14.4% and 5.9% over the next three years, respectively. Consequently, we would expect Apparel Brand's multiple to be similar to that of Adairs and greater than Hallenstein Glasson's multiple;

- the specific attributes of Apparel Brands, including:
  - the strength and longevity of each of the individual brands and the intellectual property related to product development, noting that customers that shop at Apparel Brand stores are specifically seeking their brands. Companies that enjoy strong brand awareness in the market attract higher multiples;
  - the scale of Apparel Brands and its focus in its inventory and store network management, which allow flexibility in cost control. Retailers with high profit margins are expected to deliver high earnings per share accretion when integrated with acquirers engaged in a similar retail category;
  - as discussed above, brokers expect Apparel Brands' sales growth to be subdued over the next three years (a CAGR of 2.0%) compared to the sales growth that was expected at the time of some of the comparable transactions of the 2010 decade, when macroeconomic conditions were more favourable to retailers than the current conditions. However, one broker expects EBIT margin to return to slightly above historical levels by FY27, resulting in a broker consensus CAGR in EBIT in the next three years of 11.9%. This growth rate is towards the middle of the range for the Australian retail category specialists and at the high end of EBIT growth rates for the international companies; and
  - as noted in Section 11.1.1 of this report, several Australian retailers could achieve significant synergies by acquiring Apparel Brands, as a result of Apparel Brands' design and sourcing capabilities and its extensive store network in Australia and New Zealand. These synergies include optimising supply chains and considerably increasing the scale of operations and points of sale.

On this basis, having had regard to the market evidence and the attributes of these businesses compared to Apparel Brands, we consider the selected capitalisation multiple of 10.0 times to 11.0 times (control basis) to be appropriate.

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11.5 Valuation of Myer

11.5.1 Summary

Kroll has assessed the value of Myer's equity on a stand-alone, minority basis to be in the range of $520.9 million to $596.5 million, which equates to an underlying value per Myer Share of between $0.62 and $0.71.[124] This valuation of Myer's equity has been determined by estimating the fair value of Myer's operating business, together with consideration of any surplus assets and liabilities, and net cash (excluding lease liabilities).

The valuation is summarised as follows:

Myer Valuation Summary ($ millions)

	Section Reference	Valuation Range Low	High
Maintainable EBIT (pre-AASB 16)	11.5.2	75.6	75.6
Capitalisation multiple (minority basis)	11.5.3	5.25	6.25
Value of Myer's operating business (minority basis)		**396.9**	**472.5**
Add: Estimated net cash[1]	11.5.4	124.0	124.0
Value of Myer equity (minority basis)		**520.9**	**596.5**
Number of Myer Shares outstanding	8.7	837.6	837.6
Equity value per Myer Share (minority basis) ($)		**$0.62**	**$0.71**

Source: Kroll analysis.
Note 1: Net cash is an estimate of the monthly average net cash balance for Myer (stand-alone), less transaction costs that will be incurred irrespective of whether the Combination proceeds. It does not deduct the Pre-Completion Dividend of 2.5 cents per share that will only be paid of the Combination is implemented or transaction costs that will only be incurred if the Combination proceeds. The net cash balance excludes lease liabilities since Kroll's valuation is prepared on a pre-AASB 16 basis.

In assessing a value range for Myer's operating business on a stand-alone, minority basis, Kroll has adopted a market approach as the primary methodology utilising multiples of EBIT. In selecting an EBIT multiple for Myer (stand-alone, minority basis), Kroll has had regard to the multiples at which department store companies and retail category specialists in Australia and New Zealand and internationally are trading, as well as transactions involving department store companies.

Kroll has cross-checked the values derived from our primary methodology by comparing the resulting value per share to trading in Myer Shares prior to the announcement of the Indicative Proposal.

In forming our view as to the value of Myer's equity on a stand-alone basis, we have considered a range of factors including:

- external factors, including:
  - macroeconomic challenges impacting retail sales, including persistent high inflation, high interest rates, diminished consumer sentiment and declining real household disposable income (Section 7.3.1 of this report);
  - margin pressures across the retail sector driven by rising input costs, increased discounting activities and elevated wage growth, and exacerbated by declining demand (Section 7.3.2 of this report);
  - ongoing structural trends facing the retail industry, including increased competition from new international and online-only entrants (Section 7.3.3 of this report) and changing consumer habits towards online sales channels (Section 7.3.4 of this report); and
  - the outlook for department stores revenue, which is expected to decline in real terms at a CAGR of 1.4% between 2025 and 2030 (Section 7.4 of this report).

[124] Calculated as our assessed range of value of the equity of Myer divided by the 837,557,023 ordinary shares.

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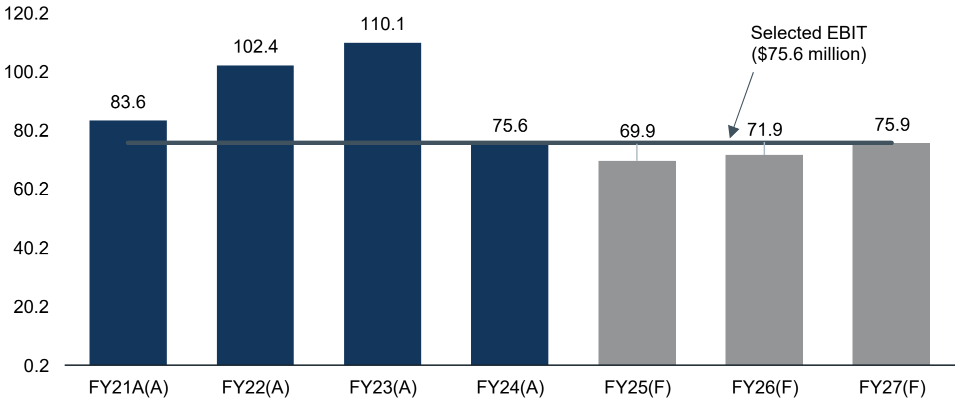
- factors related to Myer on a stand-alone basis, including:
  - potential impact of the strategic objectives announced in June 2024 as part of the Strategic Review, noting that it would take significant time to build this capability internally and it would need to overcome the difficulty and complexity required to replicate the know-how and expertise required to build a successful apparel business (Section 8.2 of this report);
  - Myer's relatively low Underlying EBIT margin (3.1%[125] in FY24) (Section 8.4 of this report);
  - Myer's relatively small scale relative to the peers ($536.5 million[126] market capitalisation as at 21 June 2024, the last trading day prior to the announcement of the Indicative Proposal); and
  - Myer's broker forecast decline in Underlying EBIT for FY24 to FY26 at a CAGR of 2.5% (refer to Section 8.4.3 of this report).

11.5.2 Maintainable earnings

Kroll has selected a maintainable EBIT of $75.6 million. Myer's actual (**A**) Underlying EBIT for FY21 to FY24 and forecast (**F**) EBIT for FY25 to FY27 relative to the selected EBIT is presented as follows.

Myer Historical and Forecast EBIT (pre-AASB 16)



Source: Myer Annual Reports, broker forecast, Kroll analysis.

The selected EBIT takes into account the following:

- historical earnings represent Underlying EBIT and exclude implementation costs and individually significant items that are not expected to occur in the future;
- FY24 is the most relevant year on which to select a maintainable EBIT. It reflects the current macroeconomic conditions and margin pressures that Myer is facing. It also reflects a decline in sales due to the permanent closure of the Frankston and Brisbane City stores and a reduction in gross profit margin, which largely reflects the shift towards more concession sales (a trend that is expected to continue);
- the forecasts are based on only one broker report and as such, limited reliance should be placed on the forecasts. It is difficult to forecast the outlook for the retail sector in the current environment, noting the macroeconomic challenges. Myer management has not released any guidance or provided any forecast information to Kroll. Kroll notes, however, that across the industry, department store revenue is expected to decline in real terms at a CAGR of 1.4% between 2025 and 2030 (refer to Section 7.4 of this report) and a number of comparable companies are expected to experience a

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[125] Myer's Underlying EBIT margin has been calculated as Underlying EBIT (pre-AASB 16) divided by revenue from sale of goods excluding concession sales, which is consistent with the reporting for the peers.

[126] Calculated as the closing price of Myer Shares on 21 June 2024 of $0.645, multiplied by 831,826,281 quoted Myer Shares outstanding as at 21 June 2024 as per ASX announcement Appendix 3H dated 21 June 2024 March 2024.

decline in earnings in the next few years (refer to Section 11.3.1 of this report).[127] Furthermore, Kroll notes that Myer's revenue has declined historically (e.g. revenue declined by a CAGR of 1.1% from $3,066.1 million in FY08 to $2,801.8 million in FY16, then declined at a CAGR of 0.7% to $2,644.4 million in FY24).

11.5.3 Selected EBIT multiple

Kroll has selected an EBIT multiple in the range of 5.25 to 6.25. Our selected multiple takes into account the following:

- the implied multiples for Myer do not include a control premium and they reflect the opportunities and risks of Myer on a stand-alone basis, and exclude the impact of the Combination;
- Kroll does not consider retail category specialists to be comparable to Myer (stand-alone) as department stores generally have a lower growth outlook compared to retail category specialists as a result of competition from international brands and online-only retailers, and a reduction in department store footprints as they rationalise merchandise and floor space (refer to Section 11.3.1 of this report);
- multiples for Target, Woolworths SA, Marks & Spencer and Nordstrom are in the range of 8.8 to 12.1 times historical EBIT. These companies are significantly larger than Myer (stand-alone) and furthermore, Target, Woolworths SA and Marks & Spencer have a significantly stronger growth outlook relative to Myer (stand-alone) (refer to Section 11.3.1 of this report). Although its EBIT is expected to decline by 0.5% over the next two years, Nordstrom has a substantial owned property portfolio whereas Myer does not;
- historical EBIT multiples for Dillard's, Kohl's, Macy's, and Frasers are in the range of 4.9 to 8.4 times. Similar to Myer, each has a strong brand name and loyalty program. The selected multiples for Myer (stand-alone) of 5.25 to 6.25 times historical EBIT are towards the mid-to-low end of the range of multiples for these companies. This is reasonable since:
  - Myer (stand-alone) is comparably smaller in scale than each of these department stores companies with a market capitalisation of $540.2 million, compared to Dillard's with $11.3 billion, Kohl's with $2.5 billion, Macy's with $7.1 billion, Frasers with $5.4 billion; and
  - Myer's broker forecast EBIT CAGR of 0.1% for the next three years is significantly lower than for Frasers' (4.7% growth), Kohl's (3.7% growth), however, stronger than Dillard's and Macy's (a decline of 26.5% over the next two years and 3.2% over the next three years, respectively); and
- the Japanese department store companies, Takashimaya and Front Retailing are trading at moderate historical EBIT multiples of 6.8 and 5.5 times, respectively. They are also substantially larger than Myer, with market capitalisations of $4.0 billion and $5.0 billion, respectively. Takashimaya is expected to experience EBIT growth of 4.5% over the next three years, which is substantially greater than Myer's 0.1% growth. Front Retailing is expected to experience a decline in EBIT of 0.5%, which is similar to Myer's growth. The selected multiples for Myer (stand-alone) of 5.25 to 6.25 overlap Front Retailing's multiple of 5.5 times.

As discussed in Section 11.3.2 of this report, the most comparable transactions to Myer (stand-alone) are the acquisitions of department store companies, Nordstrom (pending), David Jones (2014), Saks (2013) and Neiman Marcus (2013). These transactions occurred at multiples of 10.9, 15.0, 19.8 and 13.7 times historical EBIT, respectively. We would expect the historical multiple for Myer (stand-alone, minority basis) to be significantly lower than for these transactions since:

- the multiples include a control premium whereas Kroll's valuation of Myer does not. Excluding the premiums offered over their unaffected share prices, the David Jones, Saks and Nordstrom historical multiples reduce to 11.0, 14.8, and 9.1 times historical EBIT, respectively;
- the equity values for these companies are significantly larger than Myer's market capitalisation of $540.2 million (Nordstrom ($5.6 billion), Neiman Marcus ($3.9 billion) Saks ($2.6 billion) and David Jones ($2.1 billion));

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[127] IBISWorld; G4260 Department Stores in Australia, August 2023.

- the David Jones, Saks and Neiman Marcus transactions occurred in a different competitive landscape. Structural changes in the industry have intensified since those transactions occurred, and there have been a number of collapses of US department stores in the intervening period; and
- each of these companies own significant property portfolios (e.g. David Jones' four flagship CBD stores, Sak's flagship store on Fifth Avenue in New York) and significant value was likely attributed to these assets. In comparison, Myer does not own its stores.

11.5.4 Estimated net cash

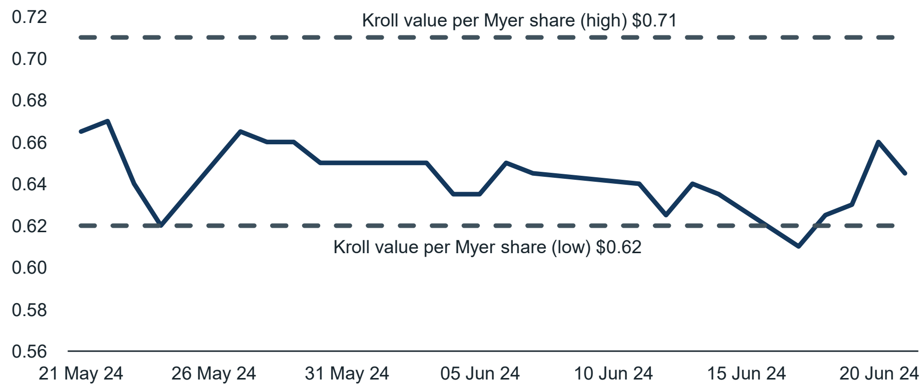
As discussed in Section 8.5 of this report, Myer's net cash position fluctuates throughout the year due to seasonality. As at 27 January 2024, Myer had net cash of $210.7 million and as at 27 July 2024, Myer had $113.8 million net cash. Based on discussions with management, and an analysis of Myer's average month-end net cash balance, Kroll has estimated the average net cash position for Myer on a stand-alone basis and after the payment of estimated $6.0 million transaction costs that will be incurred regardless of whether the Combination proceeds at $124.0 million.

11.5.5 Cross-check

Trading in Myer Shares prior to the announcement of the Indicative Proposal

Kroll has compared our assessed value per share based on the primary market approach to trading in Myer Shares up until 21 June 2024, the last trading day prior to the announcement of the Indicative Proposal.

Myer Share Trading up until 21 June 2024



Source: Capital IQ, Kroll analysis.

The analysis indicates that Kroll's selected value range for a Myer Share is supported by share trading during this period. However, Kroll notes that trading during this period should be viewed with caution since subsequent to this period:

- on 20 September 2024, Myer released its FY24 results. The actual EBIT for FY24 was 8.6% lower than the broker forecast for FY24. Following the announcement, the broker lowered its FY25 EBIT forecast by 12.8%. The Myer Share price had declined by 8.6% by 25 September 2024;
- on 29 October 2024, when Myer announced the Combination, it also announced the strategic objectives under the Strategic Review. This may have had a positive impact on Myer on a stand-alone basis;
- Australian and New Zealand retailers have traded higher with the Westpac MI Consumer Sentiment Index improving by 13.2% since June 2024 and retail sales growing for three consecutive months to October 2024. On 2 December 2024, the Australian Bureau of Statistics advised that retail sales had increased by 0.6% in October 2024 relative to the prior month, exceeding the forecast of 0.4% and up

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from 0.1% in September 2024.[128] The S&P/ASX 200 Consumer Discretionary Index increased by 12.0% until 12 December 2024; and

- broader equity markets have increased, noting that the S&P/ASX 200 Index increased by 6.9% until 12 December 2024.

11.6 Myer Share price Valuation of the Combined Myer Group Shares

11.6.1 Summary

Our valuation of shares in the Combined Myer Group in the range of $0.95 to $1.22 (cum dividend), which is equivalent to $0.925 to $1.195 (ex-dividend). The selected value range is based on trading in Myer Shares since the announcement of the Indicative Proposal. This reflects the prices at which minority parcels of Myer Shares traded on the sharemarket and as such, these prices do not include a control premium.

Kroll has cross-checked the assessed value of a Combined Myer Group Share by comparing the historical and forecast multiples of EBIT implied by our selected value range for shares in the Combined Myer Group to market evidence derived from listed department store companies and retail category specialists and transactions involving department stores.

11.6.2 Share trading

Approach

In a transaction with scrip consideration, it is common practice to utilise the post announcement market price as a basis for estimating the value of the scrip consideration. Kroll has considered whether there is any reason why the trading price of Myer Shares is not an appropriate reflection of the market value of the shares in the Combined Myer Group on a minority interest basis. We consider this approach to be appropriate for determining our valuation range of a share in the Combined Myer Group due to the following:

- as discussed in Section 8.8.3 of this report, notwithstanding its 68.8% free float, based on share trading after the announcement of the Combination, Myer Shares are liquid. There is sufficient liquidity in the market for Myer Shares to suggest that recent performance and expectations are reflected in current trading prices;
- the trading price of Myer Shares reflects the value of portfolio interests (i.e. a minority interest);
- the disclosure requirements associated with being publicly listed imply that any information in relation to Myer's business that would have a material impact on its share price should have been disclosed to the market;
- both Myer and Premier are transparent entities, although broker coverage is limited; and
- an alternative approach is to undertake a fundamental valuation of the Combined Myer Group and then apply a discount to reflect a portfolio interest. However, the consensus view of a liquid market is likely to be a more reliable indication of value of the Combined Myer Group than a valuation undertaken by a single valuer.

Analysis of trading in Myer Shares following the announcement of the Indicative Proposal and Combination

In utilising the post announcement market price of Myer Shares as a basis for estimating the value of the Combined Myer Group, we have considered the following:

- trading in Myer Shares following the announcement of the Indicative Proposal on 24 June 2024 and Combination on 29 October 2024;
- the performance of Myer Shares relative to the market;
- the liquidity of Myer Shares; and
- publicly available information in relation to Myer and the Combination;

[128] "Australian retail sales strengthen," Bloomberg, Share post, AFR, 2 December 2024.

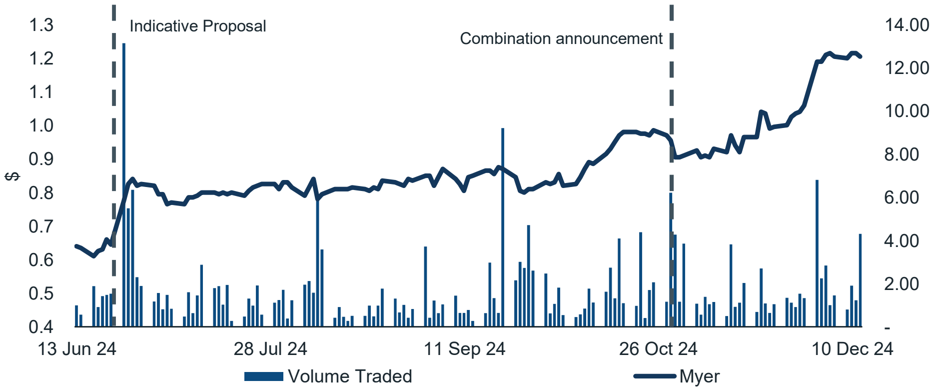
- the impact on Myer of implementing the Combination.

Our analysis of these factors is outlined in the following sections.

Trading in Myer Shares since the announcement of the Indicative Proposal and Combination

Following the announcement of the Indicative Proposal, the Myer Share price traded within the range of $0.66 to $1.27, at a VWAP of $0.92.

Myer Share Trading following the Announcement of the Indicative Proposal and Combination



Source: Capital IQ, Kroll analysis.

In relation to Myer's share trading since the announcement of the Indicative Proposal:

- the Myer Share price was positively re-rated on the announcement of the Indicative Proposal and Strategic Review on 24 June 2024, increasing by 20.2% on heavy trading from $0.645 on 21 June 2024 to $0.775 on 24 June 2024;
- from 24 June 2024 until 7 October 2024, Myer Shares then closed within the range of $0.765 and $0.875;
- on 20 September 2024, Myer released its FY24 results. The actual EBIT for FY24 was 8.6% lower than the broker forecast. Following the announcement, the broker lowered its stand-alone FY25 EBIT forecast by 12.8%, and the Myer Share price fell by 8.6% on heavy trading to close at $0.800 on 25 September 2024;
- Myer Shares traded ex-dividend on 3 October 2024, then from 7 October 2024, then increased again as investors anticipated the company's plans to outline results of the Strategic Review and a decision on its acquisition of Premier.[129] The share price closed as high as $0.99 on 25 October 2024;
- on 29 October 2024, Myer announced the Combination with Apparel Brands, which included minimum expected combination benefits of $30 million as well as the deal terms and the Pre-Completion Dividend of 2.5 cents per share. The Myer Share price reaching an intraday high of $1.05, its highest level since 13 March 2023, before settling to close at $0.96, an increase of 48.8% relative to the closing price on the last day prior to the announcement of the Indicative Proposal of $0.645. From the announcement of the Combination until 29 November 2024, Myer Shares traded in the range of $0.88 to $1.23 at a VWAP of $0.96; and
- on 29 November 2024, a second broker published forecasts for the Combined Myer Group and set a price target of $1.25, consistent with the first broker's price target which was published shortly after the announcement of the Combination. In addition, on 2 December 2024, analyst Angus Aitken

[129] Source: *"Myer investors grow impatient over new strategy as growth stalls"*, Australian Financial Review, 20 September 2024.

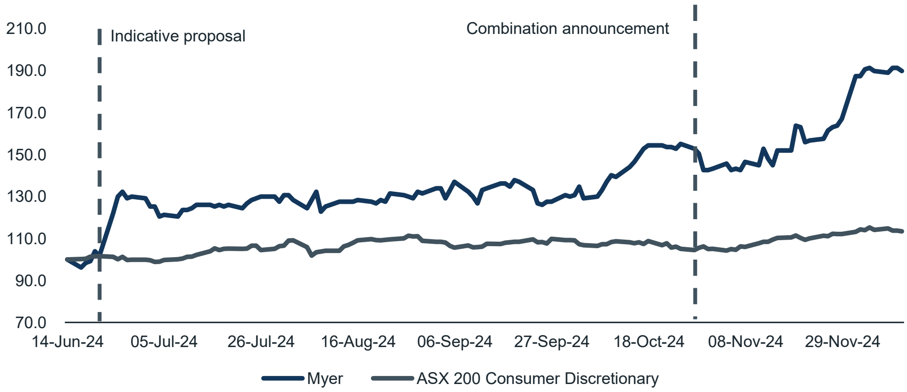
suggested that the Combined Myer Group Shares could see a long-term price of $3.00 to $4.00.[130] On 2 December 2024, the Myer Share price increased by 12.3% to close at $1.19. From then until 12 December 2024, Myer shares traded in the range of $1.19 to $1.22 and closed at $1.21 on 12 December 2024.

Between the announcement of the Indicative Proposal and Combination announcement, the deal terms, combination benefits associated with the Combination, earnings for Apparel Brands and Pre-Completion Dividend of 2.5 cents per share per Myer Share had not been disclosed and as such, the market was not fully informed regarding the impact of the Combination on Myer.

Performance of Myer Shares relative to the market since the announcement of the Indicative Proposal and Combination

The performance of Myer Shares relative to the S&P/ASX 200 Consumer Discretionary Index since the announcement of the Indicative Proposal is illustrated as follows.

Myer Share Trading Relative to the Market since the announcement of the Indicative Proposal and Combination



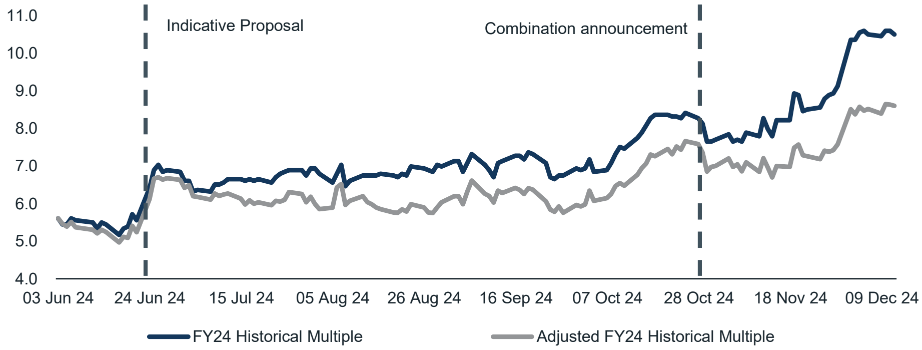
Source: Capital IQ, Kroll analysis.

Myer's share price outperformed following the announcement of the Indicative Proposal, then traded in line with the index, then outperformed in anticipation of the announcement Combination, settling slightly lower following the announcement, before outperforming again. From 21 June 2021 until 12 December 2024, The S&P/ASX 200 Consumer Discretionary Index increased by 12.0%. Consequently, a portion of the increase in Myer's share price can be attributed to the increase in the broader sharemarket.

The impact of the positive re-rating on Myer's historical EBIT multiples based on trading since 1 June 2024 is illustrated in the following chart. Noting that the S&P/ASX 200 Consumer Discretionary Index increased by 12.0% from 21 June 2021 until 12 December 2024, Kroll has also presented Myer's historical EBIT multiples adjusted to remove the impact of the movement in the index.

[130] Source: "Myer on track to 'double earnings', The Australian, 2 December 2024.

Myer's Implied Historical EBIT (pre-AASB 16) Multiple since 1 June 2024



Source: Capital IQ, Kroll analysis.
Note:

1. Myer's FY24 historical EBIT multiple up until the announcement of the Indicative Proposal is calculated based on Myer's FY24 EBIT and post the announcement of the Indicative Proposal, it is calculated based on FY24 pro forma EBIT for the Combined Myer Group (including minimum expected combination benefits of $30 million). In each case, the multiple is calculated based on Myer's actual share price.
2. Myer's adjusted FY24 historical multiple is calculated in the same way as in Note 1, however, Myer's share price has been adjusted to remove the impact of movements in the S&P/ASX 200 Consumer Discretionary Index.

Based on Myer's share price over time, its trading multiple increased from 5.2 to 5.7 times Myer FY24 EBIT prior to the announcement of the Indicative Proposal, to 7.7 to 10.6 times Combined Myer Group FY24 EBIT in the period since the announcement of the Combination, or 6.7 to 8.6 times after adjusting for the increase in the index.

The Combined Myer Group FY24 EBIT includes the minimum expected combination benefits of $30 million. Consequently, the re-rating illustrated above is in addition to the impact of the minimum expected combination benefits of $30 million.

Kroll notes, however, that there is no guarantee that Myer Shares will continue to trade at the current levels, and that the positive re-rating will persist.

Myer liquidity

As discussed in Section 8.8.3 of this report, notwithstanding its 68.8% free float, based on share trading after the announcement of the Indicative Proposal, Myer Shares are liquid. There is sufficient liquidity in the market for Myer Shares to suggest that recent performance and expectations are reflected in current trading prices.

An analysis of the volume of trading in Myer Shares for various periods pre- and post- the announcement of the Indicative Proposal on 24 June 2024 and the announcement of the Combination on 29 October 2024 is set out as follows.

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Myer Liquidity for Varous Periods to 12 December 2024

Period	Price ($)			Cumulative value ($ millions)	Cumulative volume (million)	Percentage of issued capital
	Low	High	VWAP			
Ending 12 December 2024 (post-Combination announcement, cum dividend)						
1 Day	1.20	1.27	1.24	9.4	7.6	0.9%
1 Week	1.18	1.27	1.22	24.1	19.7	2.4%
1 Month	0.92	1.27	1.13	83.1	73.4	8.8%
33 trading days from 29 October 2024	0.88	1.27	1.08	107.1	99.1	11.8%
Ending 28 October 2024 (post-Indicative Proposal, pre-Combination announcement)						
1 Day	0.96	0.99	0.97	1.4	1.4	0.2%
1 Week	0.95	0.98	0.97	11.0	11.3	1.3%
1 Month	0.81	0.83	0.92	36.8	40.1	4.8%
3 Months	0.76	0.80	0.85	106.6	125.3	15.0%
91 trading days from 24 June 2024	0.66	0.78	0.83	156.0	187.5	22.4%
Ending 21 June 2024 (pre-Indicative Proposal)						
1 Day	0.64	0.67	0.65	1.2	1.8	0.2%
1 Week	0.60	0.67	0.63	5.3	8.3	1.0%
1 Month	0.60	0.69	0.64	22.8	35.4	4.2%
3 Months	0.60	0.90	0.73	90.2	123.5	14.7%
6 Months	0.57	0.90	0.73	210.8	289.8	34.6%
12 Months	0.48	0.90	0.66	403.5	609.0	72.7%

Source: IRESS, Kroll analysis.

Regarding the preceding analysis, we note:

- the volume of Myer Shares traded was immediately higher following the announcement of the Indicative Proposal (which did not contain transaction terms, anticipated combination benefits or earnings for Apparel Brands), with 33.4 million shares traded over the week following the announcement of the Indicative Proposal (representing 4.0% of issued capital). Trading volumes have remained higher post the announcement of the Indicative Proposal. From the announcement of the Indicative Proposal on 24 June 2024 until 28 October 2024 (the last trading day immediately prior to the announcement of the Combination), 22.4% of Myer Shares were traded (32.6% of the free float[131]). On an annualised basis, this represents 93.6% of the free float;[132]
- since the announcement of the Combination (including transaction terms, estimated combination benefits, earnings for Apparel Brands and Pre-Completion Dividend) on 29 October 2024 until 12 December 2024, 11.8% of Myer Shares were traded (17.2% of the free float[133]). On an annualised basis, this represents 187.7% of the free float.[134] Trading volumes have remained higher post the announcement of the Combination, potentially reflecting investors selling and merger arbitrage funds buying prior to the announcement of the Combination. This indicates that there is sufficient liquidity in Myer Shares to determine that recent performance and expectations are reflected in current trading prices;
- in the month prior to the announcement of the Indicative Proposal on 24 June 2024, Myer Shares traded in the range of $0.60 to $0.69 at a VWAP of $0.63. Following the announcement of the Indicative Proposal until the announcement of the Combination, shares traded in a higher range of $0.66 to $0.99 at a VWAP of $0.83 (31.7% higher than the pre-Indicative Proposal VWAP). In the week prior to the announcement of the Combination, shares traded in an even higher range of $0.95

[131] Free float has been calculated as 576,584,865 shares and excludes Premier's 31.2% interest in Myer.
[132] Based on 262 trading days in the 12 Months to 12 December 2024.
[133] Free float has been calculated as 576,584,865 shares and excludes Premier's 31.2% interest in Myer.
[134] Based on 262 trading days in the 12 Months to 12 December 2024.

to $0.98 at a VWAP of $0.97 (54.0% higher than the pre-Indicative Proposal VWAP) reflecting market speculation as to the Combination terms; and

- from the announcement of the Combination on 29 October 2024 until 12 December 2024, Myer Shares traded in a range of $0.88 to $1.27, and a VWAP of $1.08, which is 68.7% higher than the pre-Indicative Proposal 1-month VWAP of $0.64. Trading over this period is on a cum dividend basis.

Publicly available information in relation to Myer and the Combination

Under ASX Listing Rules, Myer is required to keep the market informed of events and developments in a timely manner as they occur. Once Myer becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its shares, it is required to inform the market of that information.

As discussed previously, Myer released its FY24 results on 20 September 2024. FY24 actuals were 8.6% lower than the broker consensus for FY24. The broker lowered its stand-alone FY25 EBIT forecast by 12.8%, and the Myer Share price declined by 8.6% to close at $0.80 on 25 September 2024.

In relation to the Combination, Myer and Premier each released an explanatory presentation to the market on 29 October 2024, outlining the profile of the Combined Myer Group, earnings for Apparel Brands, deal terms, the Pre-Completion Dividend and potential combination benefits. One Myer broker included the impact of the Combination in their forecasts, although the other did not. A third broker has subsequently also published forecasts for the Combined Myer Group on 29 November 2024.

Consequently, there is no reason to consider that any information relating to Myer that would have a material impact on its share price has not been publicly disclosed.

As such, we consider it reasonable to assume that the current trading in Myer Shares reflects the estimated impact of the Combination and associated combination benefits.

Impact on Myer of implementing the Combination

The Combined Myer Group will have significantly greater scale and diversification, higher margins and a stronger growth outlook relative to Myer stand-alone.

Overview of the Combined Myer Group

Metric	Myer	Apparel Brands	Combined Myer Group
Total stores	56	719	783
Workforce	11,800+	5,500+	17,300+
Revenue from sale of goods (FY24, $ millions)	2,438	791	3,229
Underlying EBIT (pre-AASB 16, $ millions)	76	76	152[1]
Underlying EBIT Margin (pre-AASB 16)[1]	3.1%	9.7%	4.7%[2]
Broker forecast EBIT growth outlook (pre-AASB 16)	0.1%	na	7.9%

Source: Myer and Kroll analysis.
Notes:
1. Underlying EBIT margin has been calculated as Underlying EBIT divided by revenue from sale of goods excluding concession sales, which is consistent with the reporting for the peers.
2. Before impacts of transaction perimeter and TSA.

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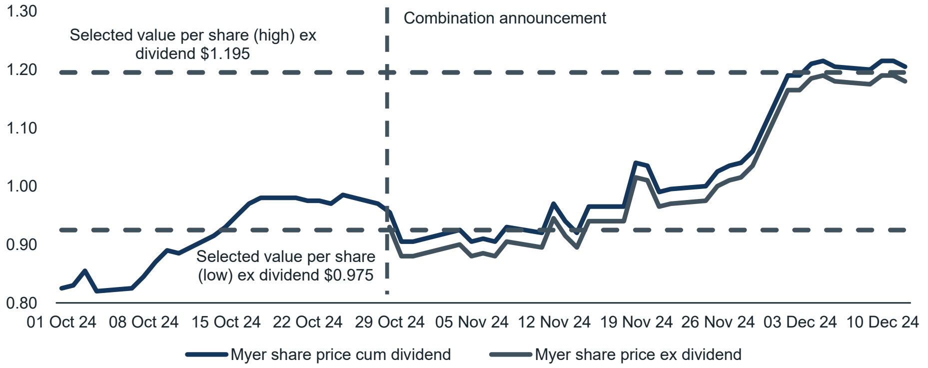
Selected value range

Kroll has selected a value range of $0.95 to $1.22 (cum dividend) or $0.925 to $1.195 (ex-dividend) for shares in the Combined Myer Group. The following chart illustrates the range of selected values per share relative to trading in Myer Shares since 1 October 2024.

Combined Myer Group Selected Value Range post Combination Announcement



Source: Capital IQ, Kroll analysis.

The selected value range for shares in the Combined Myer Group of $0.925 to $1.195 (ex-dividend) covers most of the trading in Myer Shares since the announcement of the Combination (including the terms of the Combination, quantum of combination benefits and Apparel Brands' earnings) on 29 October 2024, after adjusting for the Pre-Completion Dividend of 2.5 cents per share. The low end of the valuation range is slightly greater than the ex-dividend trading in the first two weeks following the announcement of the Combination, as Australian and New Zealand retailers subsequently traded higher on positive industry news regarding retail sales[135] and consumer sentiment.[136]

On 29 November 2024, a second broker published forecasts for the Combined Myer Group and set a price target of $1.25, consistent with the first broker's price target which was published shortly after the announcement of the Combination. In addition, on 2 December 2024, analyst Angus Aitken suggested that the Combined Myer Group Shares could see a long-term price of $3.00 to $4.00.[137] On 2 December 2024, the Myer Share price increased by 12.3% to close at $1.19. From then until 12 December 2024, Myer shares closed in the range of $1.19 to $1.22 ($1.165 to $1.195 ex dividend). The high end of the selected value range is consistent with trading over this period.

The selected value range does not place significant weight on trading from 1 October 2024 until 28 October 2024. During this period, the Indicative Proposal had been announced, however, the deal terms, anticipated quantum of combination benefits, Apparel Brands' earnings and Pre-Completion Dividend of 2.5 cents per share had not been announced. In particular, Kroll notes that trading leading up to 28 October 2024 was influenced by market speculation in relation to the Combination and there may also have been uncertainty as to whether the Combination would be proceed.[138]

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[135] On 2 December 2024, the Australian Bureau of Statistics advised that retail sales had increased by 0.6% in October 2024 relative to the prior month, exceeding the forecast of 0.4% and up from 0.1% in September 2024. Source: "Australian retail sales strengthen,", Bloomberg, Share post, AFR, 2 December 2024.

[136] The Consumer Sentiment Index increased by 5.3% from October to November.

[137] Source: "Myer on track to 'double earnings', The Australian, 2 December 2024.

[138] Source: "Myer investors grow impatient over new strategy as growth stalls", Australian Financial Review, 20 September 2024.

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11.6.3 Cross-check

Combined Myer Group's implied multiples

Kroll's assessed range of values per share of $0.925 to $1.195 (ex-dividend) implies the following value of the operating business of the Combined Myer Group.

Combined Myer Group Valuation Summary ($ millions)

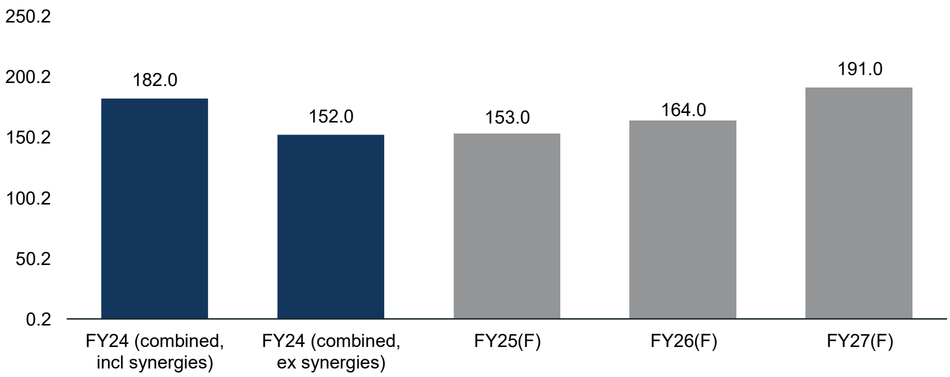
	Section Reference	Valuation Range Low	Valuation Range High
Value of Combined Myer Group Shares (minority basis)	11.6.1	$0.925	$1.195
Number of Combined Myer Group Shares	10.11.1	1,728.1	1,728.1
Value of Combined Myer Group's equity (minority basis)		**$1,598.5**	**$2,065.1**
Deduct: estimated net cash[1]	11.6.4	(96.5)	(96.5)
Deduct: retained cash		(82.0)	(82.0)
Value of Combined Myer Group's operating business (minority basis)		**$1,420.0**	**$1,886.6**

Source: Kroll analysis.
Note 1: Net cash is an estimate of the monthly average and deducts the Pre-Completion Dividend of 2.5 cents per share per Myer Share and transaction costs that would only be incurred if the Combination is implemented.

Combined Myer Group's earnings forecasts

The following chart illustrates the EBIT for the Combined Myer Group for FY24 (pro forma) and the broker forecast for the Combined Myer Group for FY25, FY26 and FY27.

Combined Myer Group's EBIT (pre-AASB 16)[1]



Source: Broker forecast is set out in Section 10.5.2 of this report.
Note 1: FY24 EBIT is before transaction perimeter and TSA.

In relation to the FY24 pro forma and broker forecast:

- there is only one broker forecast for the Combined Myer Group and consequently, the forecast should be viewed with caution;
- the FY24 pro forma earnings (including combination benefits) for Myer incorporate an EBIT margin of 4.5% (compared to Myer's Underlying 2.3% margin on a stand-alone basis).[139] This reflects the impact of including Apparel Brand's higher margin business as well as the $30 million minimum expected combination benefits;

[139] Margins are calculated as Underlying EBIT divided by total sales (including concession revenue) as brokers do not show net sales.

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- the broker earnings forecast from which the implied earnings multiples for Myer are calculated assume:
  - revenue grows at a CAGR of 1.1% from FY25 to FY27 and from FY27 to FY30 (which represents a decline in earnings in real terms, consistent with industry trends for department stores as discussed in Section 7.4 of this report);
  - the Combination is implemented in February 2025. By FY27, EBIT is slightly greater than the pro forma FY24 EBIT;
  - continued margin improvement after FY27, with EBIT margin reaching 5.8% in FY30, resulting in a CAGR in EBIT from FY27 to FY30 of 9.2%. The key factors driving margin improvement are:
    - **increasing gross margin** via increasing direct sourcing, improving markdown efficiency, improving trading terms, focusing the product range and becoming more commercial around concessions;
    - **reducing costs** by optimising the store portfolio, reducing shrinkage, labour force efficiencies and centralising non-merchandise procurement;
    - **strengthening the customer proposition** by rolling out the MYER one program to Apparel Brands customers; and
    - **strengthening the Myer Board and management** via the addition of Solomon Lew to the Myer Board, who brings understanding of apparel and the customer, the Apparel Brands' management team including Teresa Rendo, Managing Director of Apparel Brands and the recent addition of Olivia Wirth, who developed a successful loyalty program at Qantas.

  The broker cites Premier's own successful turnaround strategy which resulted in EBIT margin increasing from 7.5% in FY11 to 22.3% in FY22 as evidence of its ability to improve margins for Myer as well as Kmart Australia's successful turnaround under the ownership of Wesfarmers, which resulted in an increase in EBIT margin from 2.7% in FY10 to 10.4% in FY18.

Implied multiples for the Combined Myer Group

The value derived from share trading implies the following multiples of earnings.

Combined Myer Group Implied Multiples ($ millions)

		Implied Multiples	
	Parameter[1]	Low	High
FY24 Underlying EBIT (pro forma, including combination benefits)	182[2]	7.8	10.4
FY24 Underlying EBIT (pro forma, excluding combination benefits)	152[2]	9.3	12.4
FY25 EBIT (broker forecast)	153	9.3	12.3
FY26 EBIT (broker forecast)	164	8.7	11.5
FY27 EBIT (broker forecast)	191	7.4	9.9

Source: Kroll analysis.
Notes:
1. Before impacts of transaction perimeter and TSA.
2. EBIT is pre-AASB 16 basis.

Comparison of implied multiples for the Combined Myer Group with multiples for comparable companies and transactions

The implied multiples for the Combined Myer Group have been compared to multiples at which comparable retail companies are trading and multiples implied by recent transactions involving retail companies.

Myer's multiple of 7.8 to 10.4 times FY24 pro forma EBIT (including combination benefits) relative to the historical EBIT multiples for the comparable companies is illustrated as follows.

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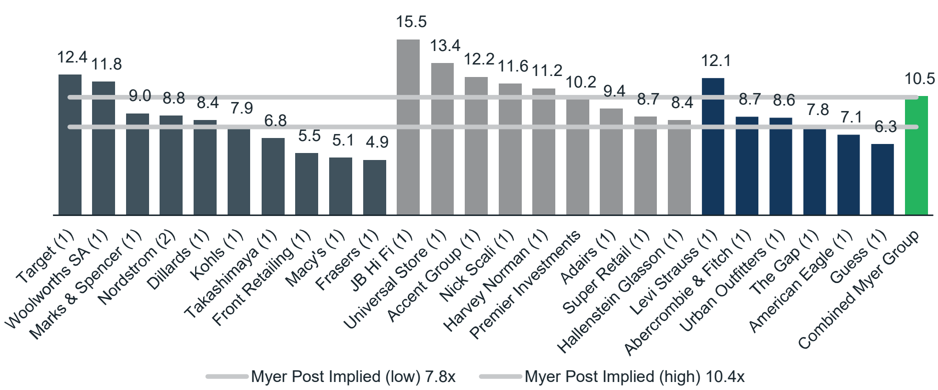
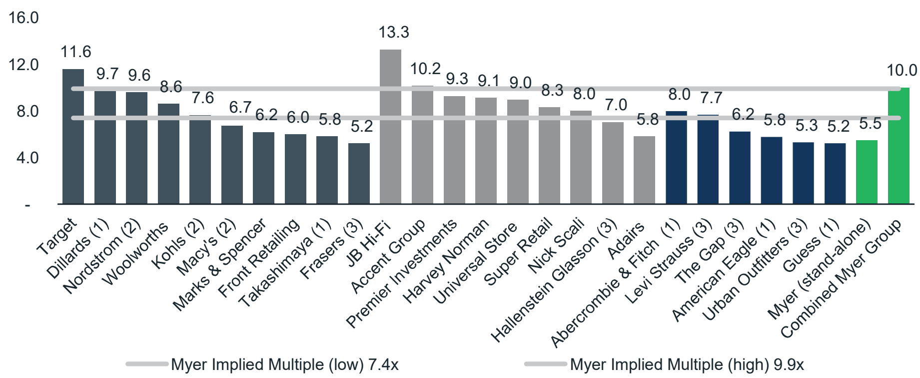
The Combined Myer Group Implied Historical Multiples relative to Comparable Companies



Source: Capital IQ, Kroll analysis. Multiples are presented on a pre-AASB 16 basis.

Myer's FY27 EBIT multiples of 7.4 to 9.8 times compared to the FY+3 EBIT multiples for the comparable companies is illustrated as follows.

Combined Myer Group Implied FY+3 Multiples relative to Comparable Companies



Source: S&P Capital IQ, Kroll analysis.
Notes:

1. Multiples presented are for FY+2 as broker forecasts are not available for FY+3. For Dillard's only one broker provided the FY+2 financial data.
2. Multiples are presented for FY+2 because only a limited number of brokers provided FY+3 financial data, which shows significant growth compared to FY+2. Therefore, FY+3 is not included in our analysis.
3. Only one broker has provided the financial data for FY+3.
4. Financial data for US companies and Japanese companies with a year ending on 31 January 2025 and 28 Februrary, respectively, is considered as data for the FY. Consequently, respective financial data with a year ending on 31 January 2028 and 28 February 2028, is used to compute the FY+3 multiple.

The implied multiples are reasonable, taking into account the following:

- the positive re-rating of Myer as a result of:
  - **stronger EBIT growth:** the broker earnings forecast from which the implied forecast earnings multiples for Myer are calculated assume a CAGR in EBIT from FY27 to FY30 of 9.2%. The estimated combination benefits represent the minimum level of revenue and cost synergies that

Myer expects to achieve and only include those that Myer expects to realise over the short to medium term;

- **increased scale:** pro forma sales are $4.1 billion, compared to $3.3 billion for Myer on a stand-alone basis. As a result, it will be one of the largest purchasers of Apparel in Australia;
- **reduced leverage:** the Combined Myer Group will have gearing (including leases) of 67.3%, compared with 85.1% for Myer;
- **enhanced liquidity:** the Combined Myer Group will have a significantly larger free float and a more diversified shareholder base; and
- **greater depth of Board and management talent:** including the addition of Solomon Lew to the Myer Board;

- on a pro forma basis, at least half of EBIT for the Combined Myer Group will be generated from specialty brands. Consequently, in assessing a multiple to apply to the Combined Myer Group, Kroll has given equal weight to the multiples at which department store companies are trading and multiples for retail category specialists;
- as discussed in Section 11.3.1 of this report, historical EBIT multiples for publicly listed department store companies are generally in the range of 4.9 to 12.4 times historical EBIT. EBIT multiples for Australian retail category specialists are in the range of 8.4 to 15.5 times, while multiples for international retail category specialists are generally lower, at a range of 6.3 to 12.1 times. The high end of the range is represented by companies that are typically larger and more diversified companies that have a stronger growth outlook, whilst the low end of the range is represented by smaller and less diversified companies, or those that have a weaker growth outlook;
- the implied historical EBIT multiples for the Combined Myer Group of 7.8 to 10.4 times are:
  - consistent with the multiples for department store companies that are expected to experience earnings growth, such as Marks & Spencer (a three-year CAGR of 12.6%), which was trading at a historical EBIT multiple of 9.0 times;
  - towards the low end of the range of multiples at which Australian and New Zealand retail category specialists are trading (a median of 11.2);
  - consistent with multiples at which international retail category specialists are trading (a median of 8.2);
- below the multiple implied by the current Nordstrom transaction (10.9 times historical EBIT), which is appropriate as the transaction multiple includes a premium for control. The consideration paid for Nordstrom represented a premium of 34.8%, relative to the last unaffected share prices (refer to Appendix 6 of this report). Excluding this premium, the multiple reduces to 9.1 times historical EBIT, which is within the range of multiples for the Combined Myer Group; and
- the implied FY+3 EBIT multiples for the Combined Group of 7.4 to 9.9 times are also consistent with market evidence.

11.6.4 Myer's estimated net cash contribution

In Section 11.5.4 of this report, Kroll estimated the monthly average net cash position of Myer on a stand-alone basis at $124.0 million. In assessing Myer's net cash contribution to the Combined Myer Group, Kroll notes that if the Combination proceeds, Myer will have paid the Pre-Completion Dividend of 2.5 cents per Myer Share, or $20.9 million in aggregate, and will have paid an estimated $6.6 million of additional transaction costs over and above those that will have been incurred up until the date of the Meeting. As such, Kroll's estimate of Myer's net cash contribution to the Combined Myer Group is $96.5 million.

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Appendix 1 – Kroll disclosures

Qualifications

The individuals with overall responsibility for preparing this report on behalf of Kroll are Ian Jedlin and Celeste Oakley. Ian is an Associate and Accredited Business Valuation Specialist of the Institute of Chartered Accountants Australia and New Zealand and holds a Master of Commerce. He is also Vice Chair of the Standards Review Board of the International Valuation Standards Council. Celeste holds a Bachelor of Economics, a Bachelor of Laws and a CFA designation. Both Ian and Celeste have extensive experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert's reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Kroll's opinion as to whether the Combination is fair and reasonable to Non-Associated Myer Shareholders, in the absence of a superior proposal. Kroll expressly disclaims any liability to any Myer Shareholder who relies or purports to rely on this report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, Kroll has had no involvement in the preparation of the Explanatory Memorandum or any other document prepared in respect of the Combination. As such, Kroll takes no responsibility for the content of the Explanatory Memorandum as a whole or other documents prepared in respect of the Combination (other than this report).

Independence

Kroll considers itself to be independent in accordance with the requirements of Regulatory Guide 112 issued by ASIC on 30 March 2011. In considering independence, it is noted that Kroll does not have, and has not had within the previous two years, any business or professional relationship with Myer or Premier (including Apparel Brands) or any financial or other interest that could reasonably be regarded as capable of affecting our ability to provide an unbiased opinion in relation to the Combination. Kroll's only role with respect to the Combination has been the preparation of this report.

Kroll will receive a fixed fee of $600,000 (excluding GST and out of pocket expenses) for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Meeting. Kroll will receive no other benefit for the preparation of this report.

Declarations

Myer has provided an indemnity to us for any claims arising out of any misstatement or omission in any material or information provided to us in the preparation of this report.

During the course of this engagement, Kroll provided draft copies of this report to management of Myer for comment as to factual accuracy, as opposed to opinions, which are the responsibility of Kroll alone. Changes made to this report as a result of those reviews have not altered the methodology or opinions of Kroll as stated in this report.

The engagement has been conducted in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (**APESB**).

Kroll is authorised by Millinium Capital Managers Limited, Australian Financial Services Licence no. 284336, to provide the following financial services as their Corporate Authorised Representative:

- provide financial product advice in respect of the following classes of financial products:
  - interests in managed investment schemes including investor directed portfolio services; and
  - securities;

with respect to retail clients and wholesale clients.

Consents

Kroll consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum to be issued to Myer. Neither the whole nor any part of this report or its attachments or any reference thereto may be included or attached to any other document without the prior written consent of Kroll as to the form and context in which it appears.

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Appendix 2 – Limitations and reliance on information

Limitations and reliance on information

Kroll's opinion is based on prevailing economic, market, business and other conditions at the date of this report. However, the factors impacting these conditions continue to evolve and can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Our report is also based on financial and other information provided by Myer and its advisers. Myer has been responsible for ensuring that information provided by it and its representatives is not false or misleading or incomplete. Myer has represented in writing to Kroll that to its knowledge, the information provided is complete and not incorrect or misleading in any material respect. Complete information is deemed to be information which at the time of completing this report should have been made available to Kroll and would have reasonably been expected to have been made available to Kroll to enable us to form our opinion. We have no reason to believe that any material facts have been withheld from us.

In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying such information. Nothing in this report should be taken to imply that Kroll has in any way carried out an audit of the books of account or other records of Myer for this report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards, as applicable.

In addition, we have also had discussions with Myer in relation to the nature of the business operations, specific risks and opportunities, historical results of Myer and prospects for the foreseeable future of Myer. This type of information has been evaluated through analysis, inquiry and review to the extent considered necessary or practical as part of the information used in forming our opinion and is comprised of the opinions and judgements of management. Kroll does not warrant that its procedures and inquiries have identified all matters that a more extensive analysis might disclose as they did not include verification work nor an audit or review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. Such information is often not capable of external verification or validation.

The statements and opinions included in this report are given in good faith and in the belief that such statements and opinions are not false or misleading.

Disclosure of information

In preparing this report, Kroll has had access to all Myer financial information considered necessary in order to provide the required opinion. Myer has requested Kroll limit the disclosure of certain information relating to Myer. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Myer. As such the information in this report, unless otherwise indicated, has been limited to the type of information that is regularly placed into the public domain by Myer.

In relation to Apparel Brands, Kroll has principally relied on public disclosures as well as information contained in the Explanatory Memorandum.

Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information

- Explanatory Memorandum;

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- annual reports and results presentations for Myer and Premier for FY22, FY23 and FY24;
- ASX announcements, press releases, technical reports, media and analyst presentations and other public filings by Myer and Premier including information available on their websites;
- broker reports and press articles regarding Myer and Premier and the retail sector;
- results presentations, annual reports, press releases and other public filings relating to comparable companies and comparable transactions;
- various industry reports; and
- information sourced from IRESS, Refinitiv and S&P Capital IQ.

Non-public information

- confidential documents, presentations and workpapers.

In addition, we have had discussions with, and obtained information from, senior management of Myer and Premier and the Myer Independent Directors

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Appendix 3 – Broker Consensus

Apparel Brands

As far as Kroll is aware, nine brokers have provided forecasts for Apparel Brands following the announcement of the Combination (when the FY24 financial performance was provided for Apparel Brands), of which one broker is an adviser on the Combination and has, therefore, been excluded. A summary of the broker reports is provided as follows.

Apparel Brands Broker Forecast Revenue ($ millions)

	Date of report	Total Revenue			
		FY24	**FY25**	**FY26**	**FY27**
Broker 1	31 October 2024	790.7	771.3	766.3	772.8
Broker 2	7 November 2024	790.7	800.0	803.0	816.0
Broker 3	29 October 2024	790.7	824.0	824.0	838.0
Broker 4	29 October 2024	790.7	798.0	830.0	846.0
Broker 5	30 October 2024	790.7	788.0	813.0	848.0
Broker 6	29 October 2024	790.7	801.2	819.9	837.3
Broker 7	29 October 2024	790.7	794.0	814.0	841.0
Median		**790.7**	**798.0**	**814.0**	**838.0**
Mean		**790.7**	**796.6**	**810.0**	**828.4**

Source: Broker reports.

Apparel Brands Broker Forecast EBIT (pre-AASB 16) ($ millions)

	Date of report	EBIT (pre-AASB 16)			
		FY24	**FY25**	**FY26**	**FY27**
Broker 1	7 November 2024	76.4	76.0	84.0	107.0
Broker 2	29 October 2024	76.4	76.0	na	na
Broker 3	30 October 2024	76.4	na	78.9	na
Broker 4	29 October 2024	76.4	83.0	na	na
Median		**76.4**	**76.0**	**81.5**	**107.0**
Mean		**76.4**	**78.3**	**81.5**	**107.0**

Source: Broker reports.
Note: 'na' means not available.

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Appendix 4 – Valuation methodologies

The purpose of the valuation methodology adopted is, in the absence of direct market evidence, to provide an estimate of value using methodologies that rely on other sources of evidence. Consistent with International Valuation Standards, valuation methodologies applicable to assets or businesses can be categorised under three approaches: market approach, income approach and cost approach.

These approaches have application in different circumstances. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved.

Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is substantial operating history and a consistent earnings trend.

The market comparable methodology indicates the value of a business by comparing it to publicly traded companies in similar lines of business. An analysis of the trading multiples of comparable companies yields insight into investor perceptions and, therefore, the value of the subject company. The multiples are evaluated and compared based on the relative growth potential and risk profile of the subject company vis-a-vis the publicly traded comparable companies. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands.

The comparable transaction methodology indicates value based on exchange prices in actual transactions. This process essentially involves the comparison and correlation of the subject company with other similar businesses recently sold or currently offered for sale. Considerations such as timeframe of transaction, premiums, and conditions of sale are analysed, and the observed transaction multiples are subjectively adjusted to indicate a value for the subject company.

A key step in both methods is determining the appropriate unit of comparison. In a business valuation common units of comparison include, revenue, EBITDA, EBIT, net profit after tax and book values. The choice will typically depend on the industry and characteristics of the subject asset.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them.

Income approach

Under an income approach the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history or there is a variable pattern of cash flow, or the asset has a finite life.

The most common methodology adopted is the DCF methodology. It has a strong theoretical basis and benefits by explicitly estimating future cash flows, allowing it to be used in a variety of circumstances, whether that be a start-up or an established business. It also allows for various scenarios and/or sensitivities to be modelled. Under a DCF methodology, forecast cash flows are discounted back to the valuation date resulting in a present value for the asset. Where there is an explicit forecast period a terminal value will typically be included, representing the value of the asset at the end of this period, which is also discounted back to the valuation date to give an overall value for the business. The rate at which the future cash flows are discounted (the discount rate) should reflect not only the time value of money, but also the risk associated with the asset or business' future operations. Whilst discount rates are generally determined from observable data, substantial judgement is required in their determination. Further, the cash flows themselves also require considerable judgement in their preparation, placing significant importance on the quality of the underlying cash flow forecasts and the determination of an appropriate discount rate in order for a DCF methodology to produce a sensible valuation figure.

DCF's can also be extremely sensitive to what may be considered small changes in various assumptions and the longer the forecast period the more difficult it is in general to forecast cash flows with sufficient reliability. As such, it is important to adequately understand the basis and risks associated with the various assumptions used to derive the cash flow forecasts and recognise the impact it can have on resulting values including the value range. Notwithstanding, DCF methodologies are widely used and benefit from the rigour associated with the preparation of future cash flows.

Cost approach

Under a cost approach the value of an asset is determined having regard to the cost to replace or reproduce the asset. The most common methodologies include:

- the replacement cost;
- the reproduction cost method; and
- the summation method.

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies).

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

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Appendix 5 – Market Evidence

Comparable Companies

The following table sets out the key comparable companies within the retail industry.

Company Name	Country	Market Capitalisation[1] (A$ millions)	Enterprise value (A$ millions)	Gross Margin Historical	EBIT Margin Historical	EBIT CAGR FY to FY+3[2]	EV / EBIT[3] Historical	EV / EBIT[3] Forecast
Premier (stand-alone)	Australia	4,773.3	4,369.7	63.1%	20.1%	4.3%	10.2	9.5
Myer (stand-alone)	Australia	540.2	483.0	36.6%	3.1%	0.1%	5.5	6.0
Combined Myer Group (excluding combination benefits)	Australia	1,667.6	1,531.8	na	4.7%	7.9%	12.6	12.5
Combined Myer Group (including combination benefits)	Australia	1,667.6	1,531.8	na	5.6%	1.6%	10.5	12.5
Department Stores								
Target	United States	97,122.7	116,946.3	28.4%	5.6%	6.7%	12.4	13.3
Marks & Spencer	United Kingdom	15,671.0	14,161.9	35.9%	6.7%	12.6%	9.0	7.3
Dillard's	United States	11,299.5	10,378.7	41.0%	11.8%	(26.5%)	8.4	12.2
Macy's	United States	7,087.7	10,774.2	40.9%	5.8%	(3.2%)	5.1	7.1
Frasers	United Kingdom	5,375.8	5,023.3	43.4%	9.6%	4.7%	4.9	4.9
Nordstrom	United States	4,226.5	7,634.5	36.7%	3.9%	(0.5%)	8.8	9.0
Woolworths SA	South Africa	5,126.5	5,608.7	35.9%	7.0%	13.4%	11.8	10.5
Front Retailing	Japan	5,027.9	3,624.6	49.6%	15.2%	(0.5%)	5.5	6.7
Takashimaya	Japan	4,023.1	3,783.0	59.8%	11.0%	4.5%	6.8	6.4
Kohl's	United States	2,474.0	5,776.0	40.1%	2.8%	3.7%	7.9	7.4
Retail Category Specialist								
Australia and New Zealand								
JB Hi-Fi	Australia	10,219.4	9,916.7	22.3%	6.6%	4.0%	15.5	15.2
Harvey Norman	Australia	6,005.8	6,631.9	31.1%	14.4%	5.8%	11.2	11.0
Super Retail	Australia	3,326.4	3,108.6	46.3%	9.2%	2.7%	8.7	8.9
Accent Group	Australia	1,279.2	1,401.4	56.4%	7.9%	9.8%	12.2	11.6
Nick Scali	Australia	1,294.1	1,254.4	65.5%	23.0%	10.7%	11.6	12.3
Universal Store	Australia	597.7	583.3	60.1%	15.1%	14.9%	13.4	10.8

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Company Name	Country	Market Capitalisation[1] (A$ millions)	Enterprise value (A$ millions)	Gross Margin Historical	EBIT Margin Historical	EBIT CAGR FY to FY+3[2]	EV / EBIT[3] Historical	EV / EBIT[3] Forecast
Adairs Limited	Australia	480.0	543.1	47.5%	9.7%	14.4%	9.4	7.8
Hallenstein Glasson	New Zealand	413.5	371.8	59.4%	11.2%	5.9%	8.4	7.6
Kathmandu	New Zealand	264.3	323.5	58.9%	1.6%	61.2%	nmf	17.9
International								
The Gap	United States	14,286.5	13,142.8	49.6%	7.0%	10.4%	7.8	7.8
Abercrombie & Fitch	United States	10,851.4	9,714.7	64.7%	14.7%	7.4%	8.7	8.0
Levi Strauss	United States	10,796.4	11,501.8	59.1%	9.8%	13.2%	12.1	10.4
Urban Outfitters	United States	7,484.5	6,233.4	33.9%	7.9%	7.5%	9.3	8.1
American Eagle	United States	5,221.8	4,970.8	38.9%	8.2%	9.4%	7.1	6.9
Guess	United States	1,218.1	2,018.4	45.7%	7.2%	4.2%	6.3	6.4

Source: S&P Capital IQ, Kroll analysis.

Notes:

1. The market data considered is as of 12 December 2024, except for Nordstrom, for which the data is as of 18 March 2024, the date before the news about the acqusition was reported.
2. CAGR calculated is for FY to FY+2, given broker estimates for these companies were not available for FY+3.
3. EBIT is calculated on a pre-AASB 16 basis.
4. nmf means not meaningful.

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Department Stores

Target Corporation

Target is a United States based discount retailer offering a range of products including food items (groceries, snacks, beverages, frozen vegetables), toys, electronic products, clothing, kitchenware, shoes, and beauty products. The company has 1,963 stores and 62 supply chain facilities in the United States. Target offers apparel for a wide range of ages and home furniture at affordable prices, with more than 45 private label brands including A New Day, Goodfellow & Co, Room Essentials, Casaluna, Universal Thread, and Project 62. Beauty and household products accounted for 30.0% of total sales, followed by food and beverage at 23.0% and apparel and accessories at 15.0% for the year ending 3 February 2024. Despite a 1.6% decline in total revenue to US$107.4 billion for that period, the company's net income increased by 48.8% to US$4.1 billion due to higher gross profit margin reflecting lower markdowns and other inventory-related costs, lower freight costs and lower supply chain and digital fulfillment costs. In the nine months ending 2 November 2024, Target has seen a 0.2% decrease in total sales, and a 6.7% increase in operating income. High profitability is attributable to lower cost of sales mainly driven by favourable inventory adjustments.

Marks and Spencer Group plc

Marks & Spencer operates department stores that offer a wide range of products, including apparel, home goods, and food items. The company's food business offers salads, fruits, dairy, meat, and poultry products while it provides clothing products through both in-house and third-party brands. As of September 28, 2024, Marks & Spencer had 1,053 stores in the United Kingdom and 403 stores in Europe and Asia. The company markets its products through a network of owned and franchised stores. In FY24, the company's UK Food business contributed 62.2% to total sales. Over the six months leading up to September 28, 2024, Marks & Spencer's revenue increased by 5.7% to GBP 6.5 billion, driven by an 8.1% increase in food sales. During the same period, operating income rose by 12.7% to GBP 462.7 million.

Dillard's Inc

Dillard's is a department store in the U.S. specialising in fashion apparel, cosmetics, and home furnishings. Operating 273 stores across 30 states and online, Dillard's product portfolio includes ladies' apparel and accessories, cosmetics, children's apparel, shoes, and men's apparel and accessories. Most of Dillard's stores are located in suburban malls or open-air centres in the Midwest and Southern states. The merchandise selections include exclusive brand merchandise such as Antonio Melani, Gianni Bini, Daniel Cremieux, Roundtree & Yorke, and private-label merchandise. Dillard's previously partnered with Wells Fargo for its private label credit card but switched to Citibank starting FY25, generating US$67.2 million in income for the year ending 3 February 2024. Additionally, the company operates CDI Contractors, a general contracting construction firm that builds and remodels Dillard's stores, contributing 4% to net sales in FY24. Dillard's total revenue decreased by 1.7% to US$6.8 billion for the year ending 3 February 2024, primarily due to a 5% decline in retail sales. In the nine months ending 2 November 2024, Dillard's has seen a decline of 3.5% in net sales, and a 22.3% decrease in net profit after tax. The decline in profitability is driven by lower gross profit margin and higher operating costs.

Macy's, Inc

Macy's is an omni-channel department store retailer operating under two well-known brands, Macy's and Bloomingdale's. Additionally, Macy's runs beauty stores under the Bluemercury name. Macy's offers a wide range of products including apparel for men, women, and children, home furnishings, cosmetics, fragrances, shoes, and other accessories. The company has an extensive portfolio of private brands, some of which are sold internationally, such as Alfani, Bar III, Epic Threads, First Impressions, Hotel Collection, Style & Co, and Tasso Elba. As of August 2024, Macy's operates 720 stores, including 157 Bluemercury locations. Over the next three years, Macy's plans to close 150 underperforming stores and add up to 30 small-format stores by the end of 2025, expecting to generate between $500 million and $650 million from these closures. Macy's has a credit card partnership with Citibank, with the credit business contributing 2.7% to net sales for the fiscal year ending 3 February 2024. For this period, Macy's total revenue decreased by 6.2% to $23.9 billion, and NPAT declined by 13.0% to $1.0 billion. In the third quarter of 2024, Macy's net sales saw a decrease of 2.7% to US$4.9 billion, whilst gross margins saw a 0.9% decline to 41.5%.

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Frasers Group Plc

Frasers is a British retailer, which operates department stores under the "House of Fraser" brand and is a retailer of sporting goods under the Sport Direct brand. Frasers' sports retail stores offer a variety of sports and leisure equipment and apparel. Along with partnerships with other brands, Fraser provides a wide range of premium own-brands clothing products for men and women, including Cruise, Van Mildert, Jack Wills, House of Fraser, and Gieves and Hawkes. As of April 2024, Frasers operated 1,551 retail stores, down from 1,630 stores in April 2023. Additionally, Frasers operated 15 department stores in the UK as of April 2024, a significant decrease from the 25 stores it had in April 2023, as a part of Frasers strategy to move away from the traditional department store in favour of a premium concept model. Frasers is also engaged in property and financial services which contributed 1.3% and 2.0% to the total revenue in FY24, respectively. The property business includes managing the company's freehold and long leasehold properties that generate third-party rental income. The financial services segment involves earning interest from advances to credit consumers. For FY24, Frasers saw a (0.9%) decrease in group revenue to GBP5.4 billion, however gross margins benefited from ongoing efficiency and cost saving initiatives resulting in a slight net improvement in gross profit despite the lowered revenue. However, NPAT from continuing operations decreased by (16.6%) to GBP399.1 million. In the six months leading up to 27 October 2024, Frasers experienced an 8.3% drop in group revenue and a 10.5% reduction in operating income. The underperformance was driven by challenging luxury market and planned sales decline in Game UK and Studio Retail, the companies acquired from JD Sports and SportMaster in Denmark.

Nordstrom, Inc

Nordstrom operates luxury department stores across the United States offering high quality, branded and private label merchandise with a focus on apparel and accessories, including shoes, handbags, and cosmetics. The company has 99 stores under the name of Nordstrom, 258 off-price "Nordstrom Rack" stores and two "Last Chance" clearance stores providing branded products at discounted prices and serving as an outlet for clearance merchandise from Nordstrom stores. In the fiscal year ending 3 February 2024, Nordstrom Rack contributed 33.6% to the net sales. Nordstrom's private label brands, includes Nordstrom, Zella, Open Edit, Treasure & Bond, BP and Caslon. Nordstrom also operates online through Nordstrom.com and HauteLook. Online sales contributed 36% to net sales in the year ended 3 February 2024. For this period, Nordstrom's net sales decreased by 5.8% to US$14.2 billion driven by the wind-down of its Canadian operations.

Woolworths Holdings Limited

Woolworths SA is an omni-channel department store retailer that targets mid-to-upper-income customers, offering apparel, homeware, accessories, footwear, and beauty products for men, women, and children. The company operates through two divisions: Woolworths South Africa (WSA) and the Country Road Group. WSA focuses on fashion, beauty, home, and food businesses, while the Country Road Group is an Australian specialty fashion retailer with brands such as Country Road, Witchery, Trenery, Mimco, and Politix. In FY24, the Country Road Group contributed 18.2% to total sales. Woolworths SA sold David Jones (acquired in 2014), an Australian-based department store operator in March 2023 for $92.5 million. As of 30 June 2024, WSA operated 769 stores, and the Country Road Group operated 653 stores. Revenue in FY24 increased by 6.4% to ZAR 77.3 billion, while NPAT declined by 48.8% to ZAR 2.6 billion, driven by rising store costs and other operating expenses.

J. Front Retailing Co., Ltd.

Front Retailing is a diversified conglomerate that is involved in operating department stores, shopping centres, construction and finance business Company's department stores offer apparels, beauty products and food and daily sundries and are operated under the Daimaru, Parco and Matsuzakaya banners. The company operates through Department Store, Shopping Centre, Developer, Payment and Finance, and other business segments. Front Retailing has started medium-term business plan from FY24 to FY26 focusing on strengthening the retail businesses, particularly the Department Store Business and the Shopping Centre business. Front Retailing's Department Store business contributed 60.7% to the total sales in the first half of FY25. During the same period, company's revenue increased by 9.3% to JPY 209.4 billion while its operating profit increased by 100.0% to JPY38.3 billion due to lower operating costs as % of revenue and high other operating income.

Takashimaya Company, Limited

Takashimaya is a department store retailer primarily operating in Japan. Through its 19 stores in Japan, and a store in China, Thailand, Vietnam and Singapore, Takashimaya offers consumers a broad range of clothing apparel, home furnishings, food, jewellery and other accessories. The company is also involved in the business of commercial property development in Japan and overseas. For the six months ending 31 August 2024, Takashimaya reported a 10.1% increase in operating revenue, reaching JPY 243.4 billion driven by strong demand from domestic customers and inbound travellers. Operating profit surged by 38.2% to JPY 28.8 billion, due to decline in operating costs as a percentage of revenue resulting from lower employee expenses. During this period, the department store business in Japan and overseas accounted for 70.8% of total sales.

Kohl's Corporation

Kohl's is an omni-channel department store retailer in the US and operates more than 1,174 stores across 49 states. Kohl's sells moderately priced apparel, accessories, cosmetics, footwear and homewares. The company provides its products under the private brands including Croft & Barrow, Jumping Beans, SO, Sonoma Goods for Life, and Tek Gear. In FY23, private brands contributed 34% to the net sales of the company. Private brands are generally priced at lower price points than other exclusive brands and have higher profit margin. Kohl's also has online operations through its website which contribute 29% to the net sales in FY23. Despite a 3.4% decline in total revenue to US$17.5 billion for the year ending 3 February 2024, the company's net income increased to US$317 million, up from a net loss of $19 million in the previous year. The decline in revenue was also seen in the third quarter of 2024, with total revenue falling 8.5% from the prior comparable period to US$3.7 billion. During the same period, operating income also declined by 37.6% to US$98.0 million due to higher selling, general and administrative costs as a % of revenue.

Retail Category Specialist Companies

JB Hi-Fi Limited

JB Hi-Fi is a retailer of consumer electronics in Australia and New Zealand. The company operates under two retail brands: JB Hi-Fi (including JB Hi-Fi Home) and The Good Guys. Its product range includes branded computers, TVs, mobile phones, home appliances, portable audio devices, and more. As of 30 June 2024, JB Hi-Fi Limited has 224 JB Hi-Fi/JB Hi-Fi Home stores in Australia and New Zealand, and 106 The Good Guys stores in Australia. Harvey Norman has limited comparability to the activities of Myer Holdings given Harvey Norman's product portfolio does not includes apparel and clothing products. JB Hi-Fi results for the 12 months ended 30 June 2024 showed decline in revenue (down 0.4% to $9.6 billion) and decline in NPAT to $438.8 million.

Harvey Norman Holdings Limited

Harvey Norman operates an integrated franchised and non-franchised retail, property, and financial services company in Australia. As of June 2024, in Australia 196 franchised businesses are licensed to operate under the Harvey Norman, Domayne, and Joyce Mayne brands selling furniture, electrical goods, homewares, and furnishings. Harvey Norman also operates 117 wholly owned stores in New Zealand, Ireland, Northern Ireland, Slovenia, and Croatia and holds a controlling interest in Pertama Holdings Limited which operates in Singapore and Malaysia. Harvey Norman has limited comparability to the activities of Myer Holdings given Harvey Norman's product portfolio does not includes apparel and clothing products and so is considered alongside the other retail stores. Harvey Normans results for the 12 months ended 30 June 2024 showed improvements in revenue (up 1.0% to $2.8 billion), however a decline in margins led to an (34.6%) decline in NPAT to $357.6 million.

Super Retail Group

Super Retail is a diversified retail category specialist company operating across the automotive, leisure, and sports sectors. With over 750 stores across Australia and New Zealand, its business segments include Supercheap Auto, Boating Camping Fishing (**BCF**), Rebel, and Macpac. Supercheap Auto offers a vast range of automotive products and contributed 38.6% of Super Retail's annual sales, and 59.2% of profit before tax. Rebel, which contributed 33.3% to Super Retail's total sales in FY24, offers branded sporting and leisure goods, including footwear, fitness equipment, sports equipment, and apparel. BCF offers various products related to its namesake outdoor activities contributed 22.6% of Super Retails annual sales.

Macpac contributed 5.7% to total sales in FY24, and is a specialised brand offering premium outdoor clothing, backpacks, and footwear. All four key brands for Super Retail opened stores during FY24, with additional store openings planned for FY25. Revenue in FY24 saw a 2.1% increase in revenue to $3.9 billion, however NPAT for the period decreased by (8.7%) to $240.1 million which was driven by increasing selling and distribution, occupancy and administration expenses.

Accent Group Limited

Accent operates as a retailer and distributor of branded apparel, footwear and accessories in Australia and New Zealand. The company has over 890 stores across 20 retail brands and exclusive distribution rights for 14 international brands across Australia and New Zealand. Accent's banners and brands include The Athlete's Foot (TAF), Platypus Shoes, Hype DC, Skechers, Merrell, CAT, Vans, and Dr. Martens. Accent operates through two business segments, retail and wholesale, with the retail business contributing 88.5% to the net sales in FY24. For this period, Accent's revenue increased by 2.4% to $1.5 billion, and net income declined by 32.9% to $59.5 million. The decline in profitability is due to inflationary pressures on inputs, higher occupancy costs, and elevated employee expenses driven by the addition of new stores.

Nick Scali

Nick Scali Limited is engaged in sourcing and retailing household furniture and related accessories in Australia, the United Kingdom, and New Zealand. The company offers a wide range of products, including sofas and armchairs, TV and entertainment units, coffee, side, console, and hallway tables, dining tables and chairs, mattresses, and more. Nick Scali operates under the brands Nick Scali, Plush, and Fabb Furniture, with 103 stores in Australia, 20 stores in the United Kingdom, and 5 stores in New Zealand as of 30 June 2024. On 8 May 2024, Nick Scali acquired Fabb Furniture, which operates a network of 20 stores located in out-of-town retail parks across the United Kingdom. In the fiscal year 2024, Nick Scali's revenue decreased by 7.8% to $468.2 million, and net income fell by 19.0% to $82.0 million. This decline in profitability was attributed to higher marketing and logistics costs, as well as increased finance expenses.

Universal Store Holdings

Universal Store is an Australian retailer specialising in casual men's and women's fashion, shoes, accessories, lifestyle and gifting. The company operates its stores under the brands Universal Stores, Thrill, and Perfect Stranger along with online stores. As of 30 June 2024, the company has 80 Universal Store locations, 14 Perfect Stranger stores, and 8 Thrill stores. The company also plans to open four to six new stores for both Universal Store and Perfect Stranger in FY25. Online sales contributed 14.0% to the total sales in FY24. During the same period, Universal Store's revenue grew by 9.7% to $288.5 million, while net income increased by 18.0% to $30.2 million. This revenue growth was driven by the opening of 10 new stores in FY24, and the profitability boost was due to improved gross margins and savings in employee and labour costs, attributable to the company's focus on productivity and cost optimisation.

Adairs Limited

Adairs is a specialty omni-channel retailer of home furnishings in Australia and New Zealand which operates its business through physical stores and online channel. The company's product range includes bedlinen, bedding, towels, homewares, soft furnishings, children's furnishings, and bedroom furniture. Adairs offers its products under the Adairs, Focus on Furniture, and Mocka brands. While Adairs and Focus on Furniture operate physical stores, Mocka is a pure-play online retailer of home and living products. Adairs plan to add six new Adairs stores and three new Focus on Furniture stores in FY25. In FY24, online sales contributed 29.4% to the total sales of the company. During the same period, the company's total revenue declined by 6.6% to $59.4 million due to a decrease in customer traffic. Operating income also decreased by 14.8% to $57.6 million, primarily due to higher delivery costs, which were partially offset by an improved gross margin.

Hallenstein Glasson Holdings Ltd

Hallenstein Glasson is a retailer of men's and women's clothing in New Zealand and Australia. The company offers men's clothing under the Hallensteins brand and women's clothing under the Glassons brand. Their product range includes hoodies, t-shirts, shorts, denim, and suits for men, as well as dresses, tops, bottoms, and swimwear for women. Hallenstein operates 117 stores, with 74 in New Zealand and the rest in Australia. In FY24, the Hallensteins brand accounted for 74.1% of the company's net sales. In FY24 Hallenstein Glasson saw a 6.3% increase in sales to NZ$435.6 million, and a 2.1% improvement in gross

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margin. This improvement was driven by updating key suppliers, managing inventory and improvements in freight costs. Company-wide cost efficiency initiatives aided in increasing net income by 7.8% to NZ$34.5 million.

KMD Brands

Kathmandu is a global speciality retailer of apparel and equipment focused on travel and adventure. The company offers a range of products under the Kathmandu, Rip Curl, and Oboz brands including various types of jackets, thermals, shirts and pants, footwear and socks, packs, sleeping bags, tents, and other travel and camping accessories. Kathmandu operates 270 stores in Australia and New Zealand, 30 in North America, 27 in Europe, and 7 in South America, alongside licensed stores worldwide. In FY24, Kathmandu online sales accounted for around 9.5% of total sales, and posted a net loss of NZ$48.3 million and revenue decreased by 11.2% to NZ$979.4 million due to a challenging consumer environment particularly in New Zealand and North America. Performance was noted as improving each quarter through the year, however trading outlooks remained cautious off the back of a continuing soft consumer environment and low consumer sentiment amid the global macroeconomic environment.

The Gap, Inc.

The Gap operates is a retail category specialist company which offers apparel, accessories, and personal care products for men, women, and children under the Old Navy, Gap, Banana Republic, and Athleta brands. Its products include adult apparel and accessories, fitness and lifestyle products for use in yoga, training, sports, travel, and everyday activities for women and girls. The company offers its products through 2,685 company-operated stores and 667 licensed franchise stores across the United States, Asia, Europe, Latin America, the Middle East, and Africa, and online. During FY23, The Gap focused on efficiency and productivity in efforts to improve its profitability and balance sheet measures. Whilst they saw a 5.0% decrease in net sales, these initiatives saw an improvement in their gross margin from 34.3% to 38.8% which was primarily driven by a 4.9% decrease in cost of goods sold resulting from decreases in inventory impairment charges, and lowered air freight expenses. In the third quarter of 2024, The Gap reported net sales of US$3.8 billion, up 1.6% on the prior comparable period, and lower advertising expense contributed to a 25.6% increase in net profit after tax to US$274.0 million.

American Eagle Outfitters, Inc.

American Eagle is a multi-brand specialty retailer that operates near to 1,500 retail stores in the US and internationally. The company offers range of products under the American Eagle, Aerie, OFFLINE by Aerie, and Unsubscribed brand. Their products include jeans, apparel, accessories, and personal care items for both women and men. American Eagle sells its products through its own and licensed retail stores, concession-based shops-within-shops, and digital channels. For the year ending 3 February 2024, digital sales accounted for 39% of the company's total sales. During this period, the company's net sales increased by 5.4% to $5.3 billion, and net income rose by 36.0% to $170.0 million, driven by improved digital traffic and reduced distribution, warehousing, and delivery costs. In the third quarter of 2024, American Eagle reported revenue of US$1.3 billion, a 0.9% decrease over the prior comparable period, and a 17.3% decrease in net income.

Urban Outfitters, Inc.

Urban Outfitters is a global retailer of branded apparel, footwear and accessories, operating under the name of Urban Outfitters, Anthropologie, and Free People across North America and Europe. These brands run over 700 stores offering a range of products which including women's and men's fashion apparel, footwear, accessories, home goods, electronics, and beauty products. Free People also offers women's apparel subscription rental service under the Nuuly brand and the company also provides lifestyle home products, garden and outdoor living products, live plants, flowers, and accessories under the Terrain brand. The company also operates a wholesale business, which contributed 4.6% to net sales in FY24, and a dining and event experience company that contributed 1.0% of net sales in FY23. In 2024, Urban Outfitters are expecting to open net 22 new stores across North America and Europe as they continue a growth plan encompassing new stores, expanded product lines, updated marketing strategies and digital capabilities. In FY23, revenue grew by 7.5% to US$5.2 billion and NPAT grew by 80.1% to US$287.7 million. In the third quarter of 2024, Urban Outfitters achieved net sales of $1.4 billion, marking a 6.3% increase compared to the same period last year. Net profit after tax of the company also rose by 24.0% to $102.9 million during the same period.

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Guess?, Inc.

Guess designs, markets, distributes, and licenses lifestyle collections of apparel and accessories for men, women, and children. It operates through five segments: Americas Retail, Americas Wholesale, Europe, Asia, and Licensing. The company's clothing collection includes jeans, skirts, dresses, shorts, blouses, shirts, jackets, and activewear. It also grants licenses to design, manufacture, and distribute various products that complement its apparel lines, such as eyewear, watches, handbags, and footwear, as well as to wholesale partners to operate and sell products through licensed retail stores. The company markets its products under a range of brands, such as GUESS?, GUESS Jeans, Marciano, GUESS Kids, Baby GUESS, and GUESS by Marciano. Guess operates multiple sales channels, including direct-to-consumer, wholesale, and licensing distribution channels, as well as through its retail websites. In the year ended 3 February 2024, Guess introduced six initiatives designed to drive growth, which included brand relevancy and digital expansion. This resulted in a 3.1% increase in sales over the prior year to US$2.7 billion, and net income growth of 30.4% to US$210.7 million. In the third quarter of 2024, Guess reported US$738.5 million, a 13.4% increase in sales over the prior comparable period. However, increases in other expenses from US$11.0 million in the prior comparable period to US$45.8 million drove the quarter to a net loss of US$23.4 million.

Comparable Transactions

The following table sets out the key comparable transactions within the retail industry.

Target Company Name	Date	Target Country	Acquiror	Ownership Percentage Acquired	Implied Enterprise Value ($ millions)	Implied Equity Value ($ millions)	EV/EBIT Historical	EV/EBIT Forecast[2]
Department Stores								
Nordstrom (pending)[1]	4 Sep 24	United States	El Puerto de Liverpool, S.A.B. de C.V.	57.0%	8,848.9	5,606.1	10.9	11.3
David Jones	9 Apr 14	Australia	Vela Investments Pty Limited	100.0%	2,212.5	2,112.5	15.0	15.2
Neiman Marcus	9 Sep 13	United States	Ares Management LLC and Canada Pension Plan Investment Board	100.0%	6,633.2	3,856.3	13.7	NA
Saks Incorporated	29 Jul 13	United States	Hudson's Bay Company	100.0%	2,933.3	2,613.3	19.8	20.0
Retail Category Specialists								
Best & Less Group Holdings Ltd	1 May 23	Australia	BB Retail Capital Pty Ltd.	83.6%	222.3	236.9	4.4	5.4
Cheap THRILLS Cycles Pty Ltd	26 Sep 22	Australia	Universal Store	100.0%	50.0	37.6	6.8	NA
Pacific Brands	27 Apr 16	Australia	Hanesbrands Inc	100.0%	1,040.0	987.2	15.1	13.4
Witchery Fashions	1 Aug 12	Australia	Country Road Group	100.0%	189.0	172.0	15.6	NA
Rebel Group	17 Oct 11	Australia	Super Retail	100.0%	891.9	610.0	11.9	NA
Hibbett	23 Apr 24	United States	JD Sports Fashion Plc	100.0%	1,837.6	1,662.4	8.7	9.2
KappAhl	29 Jul 19	Sweden	Mellby Gård AB	70.4%	311.3	234.4	16.2	12.1
The Finish Line	26 Mar 18	United States	JD Sports Fashion Plc	100.0%	601.6	721.3	10.2	10.9
Perry Ellis	6 Feb 18	United States	George Feldenkreis	88.8%	631.0	557.8	11.3	10.1
Home Retail	5 Jan 16	United Kingdom	J Sainsbury plc	100.0%	1,798.1	2,146.9	7.4	8.7
Ann Inc	18 May 15	United States	Ascena Retail Group	100.0%	3,014.0	2,940.6	18.7	15.5
Jos. A. Bank	26 Nov 13	United States	The Men's Warehouse, Inc	100.0%	1,532.7	2,027.3	13.4	11.5
Warnaco Group	31 Oct 12	United States	PVH Corp	100.0%	2,746.2	2,758.0	12.9	NA
Tommy Hilfiger B.V.	15 Mar 10	Netherlands	PVH Corp	100.0%	3,488.7	3,338.9	15.8	NA

Source: Capital IQ, various independent expert reports, Kroll analysis.
Note:
1. Historical is based on LTM results on a pre-AASB 16 basis.
2. Forecast information is based on broker consensus for NTM results on a pre-AASB 16 basis.
3. Implied enterprise value and equity value is calculated based on the offer price of the transaction.

Department stores

Nordstrom, Inc / El Puerto de Liverpool, S.A.B. de C.V.

On 3 September 2024, El Puerto de Liverpool, S.A.B. de C.V. (**Liverpool**) along with the Nordstrom family made an offer to acquire 57.0% of Nordstrom at an equity value of $5.6 billion (on a 100% basis). Nordstrom operates luxury department stores across the United States offering high quality, branded and private label merchandise with a focus on apparel and accessories, including shoes, handbags, and cosmetics. The company has 99 stores under the name of Nordstrom, 258 off-price “Nordstrom Rack” stores and two “Last Chance” clearance stores providing branded products at discounted prices and serving as an outlet for clearance merchandise from Nordstrom stores. In the fiscal year ending 3 February 2024, Nordstrom Rack contributed 33.6% to the net sales. Nordstrom’s private label brands, includes Nordstrom, Zella, Open Edit, Treasure & Bond, BP and Caslon. Nordstrom also operates online through Nordstrom.com and HauteLook. Over the six months to 3 August 2024, Nordstrom saw an increase in revenue over the prior comparable period of 4.0% to US$7.2 billion, whilst operating income declined by 7.8% to US$223.0 million due to higher variable costs associated with sales volume. The acquisition price represents a historical EBIT and NPAT multiples of 10.9 times and 11.3 times, respectively. The transaction is not yet complete as at the date of this report.

David Jones Pty Limited / Vela Investments Pty Limited

On 9 April 2014, Vela Investments Pty Limited, a subsidiary of Woolworths SA, entered into a scheme of arrangement to acquire David Jones for $2.1 billion. At the time of announcement of the acquisition, David Jones operated 38 department stores across Australia, offering apparel, accessories, home accessories, food, home appliances, kitchenware, electrical products, and other items. The combined group was expected to achieve significant efficiencies and economies through enhanced global sourcing and the ability to leverage shared seasonality and trends. The acquisition was anticipated to deliver synergies of at least $130.0 million per annum within five years. In the six months leading up to 25 January 2014, David Jones reported a 3.8% increase in revenue compared to the same period the previous year, reaching $1.0 billion. However, operating income declined by 5.4% to $103.2 million during this period due to lower profit from financial service business following the expiration of minimum profit guarantee by American Express in FY13. The transaction implied historical multiples of 15.0 times EBIT.

Neiman Marcus / Ares Management LLC and Canada Pension Plan Investment Board

On 9 September 2013, Ares Management LLC and Canada Pension Plan Investment Board agreed to acquire luxury retailer Neiman Marcus for $3.9 billion. At the time of announcement of the acquisition, Neiman Marcus operated 79 stores across the United States which included 41 Neiman Marcus Stores, two Bergdorf Goodman locations in Manhattan and 36 Last Call outlet centres. Neiman Marcus’ upscale online retailing division operated under the Neiman Marcus, Bergdorf Goodman, Last Call and Horchow brand offering women’s apparel, contemporary sportswear, men’s clothing and accessories, children’s apparel, handbags, shoes, cosmetics, decorative home accessories, crystal and silver products and other items. The acquirers anticipated attractive growth opportunities for future given company’s strong market position combined with an expected increase in US luxury goods. In FY13, Neiman Marcus reported a 7.0% increase in revenue compared to the same period the previous year, reaching $4.6 billion while operating income grew by 10.6% to $446.4 million during this period. The transaction implied historical multiples of 13.7 times EBIT.

Saks Incorporated / Hudson’s Bay Company

On 29 July 2013, Hudson’s Bay Company (“Hudson’s Bay”) and Saks entered into a merger agreement whereby Hudson’s Bay would acquire Saks for US$16.0 per share in cash. The transaction valued Saks’ equity at $2.6 billion. At the time of the transaction, Saks operated 41 Saks Fifth Avenue stores (4.9 million square feet) and 67 Saks Fifth Avenue OFF 5TH stores (2.0 million square feet) in addition to maintaining an online presence through saks.com. Saks offer products of luxury brands, including Giorgio Armani, Dolce and Gabbana, Chanel, Gucci, Louis Vuitton, Hugo Boss and Ralph Lauren. For the financial year ending 2 February 2013, Saks reported revenue of US$3.1 billion and EBIT of US$150.7 million. Hudson’s Bay is Canada’s largest department store retailer and the acquisition was expected to deliver annual synergies of up to C$100 million over three years and expand its presence in the United States. The transaction closed on 4 November 2013. The transaction implied historical multiples of 19.8 times EBIT.

Retail Category Specialist Companies

Best & Less Group Holdings Ltd / BB Retail Capital Pty Ltd.

B Retail Capital Pty Ltd. and Ray, through an off-market offer completed the acquisition of 83.6% stake in Best & Less Group Holdings Ltd (**Best & Less**) for $236.9 million on 17 July 2023. Best & Less is a discount retailer of clothing, footwear, and other soft goods in Australia and New Zealand. At the time of the acquisition announcement, the company operated 245 stores and offered products such as jeans, jackets, knitwear, jumpers, hoodies, shorts, shoes, and other items. Over the six months to 1 January 2023, Best & Less saw an increase in revenue over the prior comparable period of 13.0% to US$324.8 billion, whilst operating income declined by 32.7% to US$20.6 million due to price reduction in key volume lines and promotional activity to reduce inventory risk. The transaction implied historical EBIT multiple of 4.4 times.

Cheap THRILLS Cycles Pty Ltd / Universal Store

On 26 September 2022, Universal Store agreed to acquire Cheap THRILLS Cycles Pty Ltd (**Thrills**) for an implied enterprise value of $50.0 million. Thrills is a designer, wholesaler and retailer of casual youth fashion apparel based in Australia which offers vintage-inspired fashion wear for men and women under the brand name Thrills. At the time of the acquisition, Thrills operated eight stores, with plans to open two more by November 2022, and was Universal Store's top third-party brand by sales. Online sales contributed 12% to its total sales in FY22. Universal Store expected the acquisition to expand its portfolio of premium youth fashion brands and omni-channel retail businesses. In FY22, Thrills reported an 21.4% increase in revenue compared to the same period the previous year, reaching $34.6 million. Operating income rose by 7.4% to $7.3 million during this period partially offset by lower gross profit margin. The transaction implied historical EBIT multiple of 6.8 times.

Pacific Brands Limited / Hanesbrands Inc

On 14 July 2016, Hanesbrands, Inc. acquired Pacific Brands for $987.2 million. Pacific Brands is an Australian consumer products and retail category specialist company. They sell products such as underwear, socks, bedding products, and towels, through brands such as Bonds and Sheridan. Pacific Brands distributes its products through department stores, supermarkets, and its own network of Bonds retail outlets. Hanesbrands anticipated that the acquisition would expand its geographic footprint and brand portfolio, as well as manufacturing cost synergies for Pacific Brands who were outsourcing their production. In the six months leading up to 31 December 2015, Pacific Brands reported an 8.6% increase in revenue compared to the same period the previous year, reaching $324.8 million. Operating income also rose by 14.9% to $36.2 million during this period. The transaction implied historical EBIT multiple of 15.1 times.

Witchery Fashions / Country Road

In August 2012, Country Road, a unit of Woolworths agreed to acquire Witchery Fashions (**Witchery**) for $172.0 million. Witchery is a fashion retailer offering women's, men's and kids apparel and accessories with stores in Australia, New Zealand, South Africa and Singapore. At the time of the acquisition, Witchery Group operated 210 stores under the Witchery brand and 96 bag and jewellery stores under the Mimco brand. The acquisition was expected to expand Country Road's brand portfolio and generate annual synergies of $10 million, anticipated to be realised over four years. The transaction implied historical EBIT multiple of 15.6 times.

Rebel Group / Super Retail

In November 2011, Super Retail completed the acquisition of Rebel Group (**Rebel**), a sporting goods and equipment retailer, for $610 million. At the time, Rebel operated 128 stores, including 92 Rebel Sport outlets and 36 Amart All Sports shops, holding a 24% market share in the sporting goods sector. This acquisition allowed Super Retail, which owns retail chains such as Supercheap Auto, BCF, and Ray's Outdoors, to leverage its retail and supply expertise and grow Rebel from 128 stores to a total of 185 stores over the medium term, across both the Rebel and Amart banners. The transaction implied a historical EBIT multiple of 11.9 times.

Hibbett, Inc / JD Sports Fashion Plc

On 23 April 2024, JD Sports Fashion Plc (**JD Sports**) agreed to acquire Hibbett, Hibbett) for $1.6 billion, a US based sporting goods retailer. Hibbett offers a variety of branded products including apparel, footwear,

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accessories, and sports equipment through both physical stores and online channels. As of 3 February 2024, Hibbett operates over 1,150 stores under the Hibbett, City Gear and Sport Additions brand. The acquisition is expected to enable JD Sports to achieve cost savings of at least US$25 million and expand its presence in the southeastern US, where Hibbett currently has a limited footprint. For the year ending 3 February 2024, Hibbett's net sales grew by 1.2% to US$1.7 billion whilst operating income declined by 18.6% to US$137.0 million due to lower gross profit margin. The transaction implied historical EBIT multiple of 8.7 times.

KappAhl AB / Mellby Gard

Mellby Gard which already had a 29.6% stake in KappAhl made a public offer to acquire remaining 70.4% stake in the company at an implied equity value of $234.4 million (on a 100% basis) on 28 July 2019. The transaction was brought by the investment vehicle of Swedish business magnate Rune Andersson, who saw synergy opportunities with other retail brands owned by Mellby Gard which would benefit KappAhl who was facing industry headwinds. KappAhl designs, markets, and sells clothes and accessories for women, men, and children. As of 30 May 2019, the company operated 382 stores in Sweden, Norway, Finland, Poland, and the United Kingdom and also sells its products online. During the nine months leading up to 30 May 2019, KappAhl experienced a 1.6% increase in revenue compared to the same period the previous year, reaching SEK 3.6 billion. However, operating income dropped by 72.2% to SEK 60 million, primarily due to increased selling and administrative costs associated with a profitability improvement program. The transaction represented a historical multiple of 16.2 times EBIT.

The Finish Line, Inc / JD Sports

On 25 March 2018, JD Sports agreed to acquire The Finish Line for an implied equity value of $721.3 million. The Finish Line, a US based sporting goods retailer, offers athletic shoes, apparel, and accessories for men, women, and children. At the time of the transaction announcement, The Finish Line operated 556 stores, including 188 concessions in Macy's stores, as well as eCommerce and mobile commerce sites. This acquisition provides JD Sports with both a physical and online presence in the U.S., expanding its global reach. The Finish Line's revenue slightly declined by 0.9% to US$1.8 billion for the year ending 3 March 2018, while operating income dropped by 15.9% to US$45.6 million due to price reduction to clear slow moving products. The transaction implied a historical multiple of 10.2 times EBIT.

Perry Ellis International, Inc. / George Feldenkreis

On 6 February 2018, Perry Ellis received a proposal from an entity controlled by George Feldenkreis, the company's founder, to acquire the remaining 88.8% stake, valuing the company at approximately $557.8 million. Perry Ellis is a designer, distributor and licensor of men's and women's apparel, accessories, and fragrances. Their product range includes dresses, casual shirts, golf sportswear, jeans, activewear, and more. The company distributes its products through various retail channels, including luxury, department and specialty stores, and other retailers. Perry Ellis owns or licenses several brands, such as Perry Ellis, Savane, Jantzen, and Original Penguin by Munsingwear. In the nine months leading up to 28 October 2017, Perry Ellis experienced a 1.4% decline in revenue compared to the same period the previous year, totalling $647.5 million. However, operating income increased by 207.3% to $17.0 million, primarily due to reduced employee-related expenses. The transaction implied a historical EBIT of 11.3 times.

Home Retail Group Limited / J Sainsbury plc

In November 2015, J Sainsbury plc (**Sainsbury**) made an offer to acquire Home Retail for $2.1 billion. Home Retail operates as a home and general merchandise retailer in the United Kingdom and the Republic of Ireland, offering various products under its two retail brands, Argos and Habitat. The company provides jewellery, toys, appliances, housewares, furniture, sports and leisure equipment, and consumer electronics. The acquisition resulted in Sainsbury operating over 2,000 stores, including 601 supermarkets, 773 convenience stores, 739 Argos stores (including concessions), and three Habitat stores. In the six months leading up to 29 August 2015, Home Retail witnessed a 1.5% decrease in revenue from the prior comparable period, reaching GBP2.6 billion. However, operating income increased by 8.2% to GBP31.4 million, driven by cost savings related to reduction in the store estate. The transaction represented a historical multiple of 7.4 times EBIT.

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Ann Inc / Ascena Retail Group

On 18 May 2015, Ascena Retail Group (**Ascena**) agreed to acquire Ann Inc for $2.9 billion. Ann Inc operates specialty apparel retail chain stores for women in North America under the Ann Taylor and LOFT brands. As of 31 January 2015, the company operated 1,030 stores across the US and Canada, along with an online presence through its websites. Ascena identified US$150.0 million in annualised run rate synergies from the combination, expected to be realised over a three-year period. The acquisition positions Ascena as the third-largest specialty apparel retailer, with a diverse brand portfolio serving women of all ages, sizes, and demographics. Excluding transaction and integration expenses, the acquisition was expected to be accretive to earnings per share within the first year post-closing, accelerating to over 20% accretion to earnings per share thereafter. For the year ending 31 January 2015, Ann's net sales grew by 2.4% to $2.5 billion, while operating income declined by 24.0% to $129.1 million due to high promotional retail environment and higher freight costs. The transaction implied a historical EBIT multiple of 18.7 times.

Jos. A. Bank / The Men's Wearhouse, Inc

On 26 November 2013, The Men's Wearhouse, Inc (**Men's Wearhouse**) announced to acquire Jos.A.Bank for $2.0 billion. Jos. A. Bank operates as designer, manufacturer, retailer, and direct marketer of men's tailored and casual clothing, and accessories in the United States. The company operated 629 stores under the Jos brand, offering a range of products such as suits, tuxedos, dress shirts, sport coats, dress pants, overcoats, vests, ties, and more. Men's Wearhouse anticipated achieving annual synergies of approximately US$100 to US$150 million over three years by enhancing purchasing efficiencies, optimising customer service and marketing strategies, and consolidating overlapping corporate functions. In the six months leading up to 3 August 2013, Jos. A. Bank saw a 7.2% decline in revenue compared to the same period the previous year, totalling $647.5 million. Operating income declined by 41.3% to $36.1 million, primarily due to higher occupancy and marketing costs. The transaction implied a historical EBIT multiple of 13.4 times.

Warnaco Group Inc. / PVH Corp.

On 31 October 2012, PVH Corp. (PVH) announced to acquire of Warnaco for $2.8 billion, consolidating various Calvin Klein brands under one corporate umbrella. PVH, which owns brands like Calvin Klein and Tommy Hilfiger, offered $51.75 in cash and 0.18 of a PVH share for each Warnaco share. Warnaco, based in New York, holds the licenses for Calvin Klein jeans and underwear. PVH anticipated achieving annual synergies of approximately US$100 million over three years. The acquisition expanded PVH's presence in emerging markets, particularly Asia and Latin America. In the nine months leading up to 29 September 2012, Warnaco witnessed a 5.7% decline in revenue to US$1.8 billion compared to the same period the previous year. Operating income declined by 10.7% to $183.1 million during the same period. The transaction represented a historical multiple of 12.9 times EBIT.

Tommy Hilfiger B.V. / Tommy Hilfiger B.V.

PVH announced agreed to acquire Tommy Hilfiger B.V. (**Tommy Hilfiger**) for $3.3 billion on 15 March 2010. Tommy Hilfiger offers various products under the Tommy Hilfiger and Hilfiger Denim brand which includes high-quality menswear, womenswear, children's apparel and denim collections. Through select licensees, Tommy Hilfiger also offers complementary lifestyle products such as accessories, fragrances and home furnishing. PVH is one of largest apparel companies offering products under various brand names including Van Heusen, Calvin Klein, IZOD, ARROW, Bass and G.H. Bass & Co. The acquisition would help PVH to expand its brand portfolio and anticipated to realise approximately $40 million of synergies on annual basis in the transaction. In FY09, Tommy Hilfiger saw a 2.6% rise in revenue, reaching €1.2 billion. However, operating income fell by 25.4% to €91.0 million, primarily due to a lower gross margin and increased distribution and selling costs compared to the previous year. The transaction represented a historical multiple of 15.8 times EBIT.

Appendix 6 – Synergies and premiums

The following table sets out the synergies and premiums for relevant department store and retail category specialist transactions. Synergy figures are as reported in transaction announcements and premiums are based on publicly available share price data.

Date	Acquirer	Target	Enterprise Value	Synergies	Synergies as % of deal value	Acquisition premium[2]
Department stores						
4 Sep 24	El Puerto de Liverpool	Nordstrom	8,848.9	na	na	34.8%
9 Apr 14	Vela Investments Pty Limited	David Jones	2,212.5	130.0	5.9%	39.4%
9 Sep 13	Ares Management LLC; CPPIB	Neiman Marcus	6,502.0	na	na	na
29 Jul 13	Hudson's Bay Company					
Retail category specialist (ANZ)						
1 May 23	BB Retail Capital Pty Ltd.	Best & Less	222.3	na	na	na[3]
26 Sep 22	Universal Stores	Thrills	50.0	na	na	na
28 Apr 16	Hanesbrands Inc.	Pacific Brands	1,040.0	na	na	22.3%
31 Jul 12	Country Road Group Pty Ltd.	Witchery	189.0	10.0	5.3%	na
17 Oct 11	Super Retail Group Limited					
Retail category specialist (International)						
23 Apr 24	JD Sports Fashion Plc	Hibbett	1,837.6	38.6	2.1%	20.7%
29 Jul 19	Mellby Gård AB	KappAhl	311.3	na	na	43.0%
26 Mar 18	JD Sports Fashion Plc	The Finish Line	601.6	na	na	28.0%
6 Feb 18	George Feldenkreis	Perry Ellis	631.0	na	na	21.6%
5 Jan 16	J Sainsbury plc	Home Retail	1,798.1	na	na	38.8%
18 May 15	Ascena Retail Group, Inc.	Ann Inc	3,014.0	187.3	6.2%	33.6%
11 Mar 14	The Men's Wearhouse, Inc.	Jos. A Bank	1,532.7	138.8[4]	9.1%	56.0%
31 Oct 12	PVH Corp.	Warnaco	2,746.2	96.5	3.5%	34.5%
15 Mar 10	Phillips-Van Heusen Corporation	Tommy Hilfiger	3,488.7	43.9	1.3%	na
Median (retail category specialists)						**33.6%**
Min			189.0	10.0	1.1%	20.7%
Max			8,848.9	150.0	9.1%	56.0%
Mean			2,282.9	75.6	4.2%	33.6%
Median			1,798.1	90.2	3.5%	34.0%

Source: Company Announcements, Capital IQ and Kroll analysis.

Notes

1. Figures have been converted into AUD using the exchange rate on the date of the announcement
2. Calculated as the premium to the closing price of the last undisturbed share price.
3. Premium to last undisturbed share price totalled (7.6%). Premium has been omitted as it was an outlier
4. Kroll has taken the midpoint of the range of reported synergies which were estimated to be between US$100 million and US$150 milli

KROLL

Part Two – Financial Services Guide

What is an FSG?

This Financial Services Guide ("FSG") is an important document that provides you with information to help you decide whether to use our financial services.

This FSG contains information on:

- who we are;
- who our authorised representatives are;
- how we can be contacted;
- certain financial services that we can offer you;
- how we, our authorised representatives and other parties involved in providing the financial services are paid in relation to the financial services we offer; and
- details of how you can make a complaint about us or the financial services we provide.

Who we are?

Kroll Australia Pty Ltd (ACN 116 738 535), ("We", "us" and "Kroll") is authorised to provide retail financial services on behalf of Millinium Capital Managers Limited (ACN 111 283 357) ("Millinium"), Australian Financial Services License ("AFSL") no. 284336, as a Corporate Authorised Representative ("CAR"). We have also appointed Mr. Ian Jedlin as an authorised representative to Millinium's AFSL (our "Authorised Representative"). All authorised representatives of Kroll are authorised representatives of Millinium. We aim to provide quality financial products and services to investors. Kroll acts on its own behalf when providing financial services.

Kroll has been engaged by Myer Limited ("Client") to prepare an Independent Expert's Report ("Report") in connection with the combination of Apparel Brands and Myer. The Client will provide our Report to you.

Our details

Kroll Australia Pty Ltd
Level 32, 85 Castlereagh St
SYDNEY
NSW 2000
www.kroll.com
Ph: 02 8286 7200

Our Authorised Representatives

Celeste Oakley
ASIC authorised representative: No. 001309836
Level 32, 85 Castlereagh St, SYDNEY, NSW 2000

Ian Jedlin
ASIC authorised representative: No. 000404117
Level 32, 85 Castlereagh St, SYDNEY, NSW 2000

Authorised Financial Services

Kroll is authorised by Millinium to provide the following financial services as their CAR:

- provide financial product advice in respect of the following classes of financial products:
  - interests in managed investment schemes including investor directed portfolio services; and
  - securities,

  with respect to retail clients and wholesale clients.

This FSG only relates to the provision of general advice by Kroll.

Personal Advice

Neither we nor our authorised representatives can provide you with personal advice. Personal advice is advice that takes into account your objectives, financial situation and needs. Where you are referred to a financial planner for personal advice, they will make reasonable enquiries to understand your personal objectives, financial situation and needs. Their personal advice, and any relevant warnings, will be provided to you in their Statement of Advice ("SOA").

Remuneration

Kroll charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay Kroll $600,000 (excluding GST and out of pocket expenses) for preparing the Report. Kroll and its officers, representatives, related entities and associates ("Personnel") will not receive any other fee or benefit in connection with the provision of the Report. All Personnel that provide general advice on our behalf in providing services are on contract to us and receive a salary or payments in accordance with their respective contracts. They may also receive a bonus, but it is not related to the general advice provided in the Report.

Kroll may provide professional services, including consultancy, business intelligence, transfer pricing and financial advisory services, to the person who engaged us and receive fees for those services Kroll and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaint Redressal

If you have a complaint, please let either Kroll or the Authorised Representative know. Formal complaints should be sent in writing to Complaints Officer, Kroll, Level 32, 85 Castlereagh St, SYDNEY, NSW 2000. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 8286 7227 and they will assist you in documenting your complaint. If the complaint cannot be settled in the first instance by Kroll, you should contact Millinium via the contact details set out below:

In writing:

Dispute Resolution Officer
Millinium Capital Managers Limited
GPO Box 615
Sydney, NSW, 2000

When your complaint is received by Millinium it will be entered onto Millinium's complaints register. All details of the complaint will be sent to the Disputes Resolution Officer who will investigate the circumstances of the complaint. If the Disputes Resolution Officer is unable to reach a satisfactory resolution of the complaint within thirty (30) business days of receipt, you should contact Australian Financial Complaints Authority ("AFCA"). The details are:

In writing:
https://www.afca.org.au/make-a-complaint
Telephone
1300 56 55 62 (local call rate)
Email
info@afca.orga.au
Website
www.afca.org.au

Please note that AFCA can currently only deal with claims for compensation up to $1,085,000. Monetary limits and the AFCA terms of reference do change from time to time. Current details can be obtained from the AFCA website listed above.

Annexure D: Independent Limited Assurance Report

Annexure D: Independent Limited Assurance Report

Ernst & Young Strategy and Transactions Limited
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Limited Assurance Report

17 December 2024

The Board of Directors
Myer Holdings Limited
Level 7, 1000 La Trobe Street
Docklands VIC 3008

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON MYER HISTORICAL FINANCIAL INFORMATION AND COMBINED MYER GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have been engaged by Myer Holdings Limited ("Myer") to report on the Myer Historical Financial Information and Combined Myer Group Pro Forma Historical Financial Information, as defined below, for inclusion in the explanatory memorandum dated 17 December 2024 ("Explanatory Memorandum") and issued by Myer, in respect of the proposed acquisition by Myer of all of the issued capital of Just Group Limited, the holding entity of the Apparel Brands Business, from Premier Investments Limited ("Premier"), in consideration for the issuance of the consideration shares to Premier (the "Combination").

Expressions and terms defined in the Explanatory Memorandum have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Strategy and Transactions Limited ("Ernst & Young Strategy and Transactions") holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). David Lomax is a Director and Representative of Ernst & Young Strategy and Transactions. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

Myer Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following historical financial information of Myer:

- historical consolidated income statements for the financial periods ended 29 July 2023 and 27 July 2024 as set out in Table 4 of Section 4.6.2 of the Explanatory Memorandum;
- historical consolidated balance sheets as at 29 July 2023 and 27 July 2024 as set out in Table 5 of Section 4.6.3 of the Explanatory Memorandum; and
- historical consolidated cash flow statements for the financial periods ended 29 July 2023 and 27 July 2024 as set out in Table 6 of Section 4.6.4 of the Explanatory Memorandum,

(Hereafter the "Myer Historical Financial Information").

The Myer Historical Financial Information as at 29 July 2023, 27 July 2024 and for the financial periods ended 29 July 2023 and 27 July 2024 has been derived from the consolidated financial statements of Myer for the respective periods, which were audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. PricewaterhouseCoopers issued unqualified audit opinions on these consolidated financial statements.

The Myer Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards ("AAS") issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards.

Combined Myer Group Pro Forma Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following pro forma historical financial information of Combined Myer Group:

- pro forma historical combined income statements for the financial periods ended 29 July 2023 and 27 July 2024 as set out in Table 14 of Section 6.8.7 of the Explanatory Memorandum;
- pro forma historical combined balance sheet as at 27 July 2024 as set out in Table 19 of Section 6.8.8 of the Explanatory Memorandum; and
- pro forma historical combined cash flows for the financial periods ended 29 July 2023 and 27 July 2024 as set out in Table 20 of Section 6.8.9 of the Explanatory Memorandum,

(Hereafter the "Combined Myer Group Pro Forma Historical Financial Information").

The Combined Myer Group Pro Forma Historical Financial Information is based on the Myer Historical Financial Information and the historical financial information of Apparel Brands as at 27 July 2024 and for the financial periods ended 29 July 2023 and 27 July 2024, and adjusted for the effects of pro forma adjustments described in Sections 6.8.7.1, 6.8.8.1 and 6.8.9.1 of the Explanatory Memorandum.

The historical financial information of Apparel Brands has been derived from the accounting records that were used to prepare the consolidated financial statements of Just Group Limited for the financial period ended 27 July 2024 (which includes comparative information for the financial period ended 29 July 2023). The consolidated financial statements of Just Group Limited for the financial period ended 27 July 2024 was audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued an unqualified audit opinion on these consolidated financial statements.

The Combined Myer Group Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the exclusion of certain transactions that occurred in the relevant period, and (iii) the impact of certain transactions as if they occurred as at 27 July 2024 in the pro forma historical combined balance sheet and from 31 July 2022 in the pro forma historical combined income statements and the pro forma historical combined cash flows.

Due to its nature, the Combined Myer Group Pro Forma Historical Financial Information does not represent the Combined Myer Group's actual or prospective financial position, financial performance, or cash flows.

The Myer Historical Financial Information and Combined Myer Group Pro Forma Historical Financial Information is presented in the Explanatory Memorandum in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors' Responsibility

The directors of Myer (the "Myer Directors") are responsible for the preparation and presentation of the Myer Historical Financial Information and Combined Myer Group Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Myer Historical Financial Information and included in the Combined Myer Group Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the Myer Directors determine are necessary to enable the preparation of Myer Historical Financial Information and Combined Myer Group Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

The directors of Premier (the "Premier Directors") are responsible for the preparation and presentation of the historical financial information of Apparel Brands included in the Combined Myer Group Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the Premier Directors determine are necessary to enable the preparation of historical financial information of Apparel Brands that is free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Myer Historical Financial Information and Combined Myer Group Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Myer Historical Financial Information and Combined Myer Group Pro Forma Historical Financial Information.

5. Conclusions

Myer Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Myer Historical Financial Information comprising:

- historical consolidated income statements for the financial periods ended 29 July 2023 and 27 July 2024 as set out in Table 4 of Section 4.6.2 of the Explanatory Memorandum;
- historical consolidated balance sheets as at 29 July 2023 and 27 July 2024 as set out in Table 5 of Section 4.6.3 of the Explanatory Memorandum; and
- historical consolidated cash flow statements for the financial periods ended 29 July 2023 and 27 July 2024 as set out in Table 6 of Section 4.6.4 of the Explanatory Memorandum,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.6.1 of the Explanatory Memorandum.

Combined Myer Group Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Combined Myer Group Pro Forma Historical Financial Information comprising:

- pro forma historical combined income statements for the financial periods ended 29 July 2023 and 27 July 2024 as set out in Table 14 of Section 6.8.7 of the Explanatory Memorandum;
- pro forma historical combined balance sheet as at 27 July 2024 as set out in Table 19 of Section 6.8.8 of the Explanatory Memorandum; and
- pro forma historical combined cash flows for the financial periods ended 29 July 2023 and 27 July 2024 as set out in Table 20 of Section 6.8.9 of the Explanatory Memorandum,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 6.8.1 of the Explanatory Memorandum.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Sections 4.6.1 and 6.8.1 of the Explanatory Memorandum, which describes the purpose of the Myer Historical Financial Information and Combined Myer Group Pro Forma Historical Financial Information. As a result, the Myer Historical Financial Information, and Combined Myer Group Pro Forma Historical Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Strategy and Transactions has consented to the inclusion of this limited assurance report in the Explanatory Memorandum in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Strategy and Transactions does not have any interests in the outcome of the Combination other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully

Ernst & Young Strategy and Transactions Limited

David Lomax
Director and Representative

Ernst & Young Strategy and Transactions Limited
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
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Building a better working world

17 December 2024

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT LIMITED ASSURANCE REPORT

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Strategy and Transactions

Ernst & Young **Strategy and Transactions Limited** ("Ernst & Young Strategy and Transactions" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

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5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $50,000 (inclusive of GST).

Ernst & Young Strategy and Transactions is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Strategy and Transactions, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Strategy and Transactions and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Strategy and Transactions, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority Limited.

9. Compensation Arrangements

Ernst & Young and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Ernst & Young's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Ernst & Young satisfy the requirements of section 912B of the Corporations Act 2001.

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Contacting Ernst & Young Strategy and Transactions Limited	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Australian Financial Complaints Authority Limited GPO Box 3 Melbourne, VIC 3001 Telephone: 1800 931 678

This Financial Services Guide has been issued in accordance with ASIC Corporations (Financial Services Guides) Instrument 2015/541.

Corporate Directory

Registered Office

Myer Holdings Limited

Level 7, 1000 La Trobe Street
Docklands VIC 3008

Myer Postal Address

Myer Holdings Limited

PO Box 869J
Melbourne VIC 3001

Financial Adviser

Barrenjoey Advisory Pty Ltd

Quay Quarter Tower
Level 19, 50 Bridge Street
Sydney NSW 2000

Legal Adviser

Clayton Utz

Level 15, 1 Bligh Street
Sydney NSW 2000

Independent Expert

Kroll Australia Pty Limited

Level 32, 85 Castlereagh Street
Sydney NSW 2000

Investigating Accountant

Ernst & Young Strategy and Transactions Limited

200 George Street
Sydney NSW 2000

Shareholder Enquiries

Link Market Services Limited

Attn: Myer Holdings Limited
Locked Bag A14
Sydney South NSW 1235

Myer Shareholder Information Line

Australian Telephone: 1300 038 212
International Telephone: +61 2 9066 4052

Investor Relations and Media Enquiries

Email: myer.corporate.affairs@myer.com.au

Myer Customer Service Centre

PO Box 869J
Melbourne VIC 3001

Phone: 13 69 37 (within Australia)

Myer Sustainability

Email: sustainability@myer.com.au

Securities Exchange Listing

Myer Holdings Limited (MYR) shares are listed on the Australian Securities Exchange (ASX).

Websites

myer.com.au
myerone.com.au
myer.com.au/investor

Find Us Here

Facebook.com/myer
Instagram.com/myer
Twitter.com/myer
Youtube.com/myer

MYER Group