

# SPECIALTYFASHION | GROUP

## ASX Announcement / Media Release

28 November 2013

### Specialty Fashion Group acquires the iconic Australian brand “Rivers”

Specialty Fashion Group Limited (ASX:SFH) (the **Group**), the largest specialty retailer of women’s fashion in Australasia, is proud to announce that it has acquired the business and assets of iconic Australian apparel brand, Rivers Australia (**Rivers**).

#### Key highlights

- Rivers is a well-known Australian brand with a long history dating back almost three decades, when it commenced operations as a shoe manufacturing business. Today it is a well recognised retailer with 160 stores across Australia;
- The acquisition is part of the Group’s long-term growth strategy to expand its footprint in the mature, value segment of the specialty fashion market and marks the Group’s entrance into value footwear, men’s and children’s clothing; and
- Specialty Fashion Group’s research shows that Rivers is the favourite footwear brand of Millers’ customers, and almost 50% of mens’ clothing purchases are made by women, giving the Group the unique opportunity to leverage its seven million strong customer database.

Gary Perlstein, Specialty Fashion Group CEO, said: *“Specialty Fashion Group is delighted to add the Rivers Australia brand to its portfolio. Rivers has a strong, loyal following, built on its reputation for comfortable, good quality products and we look forward to working closely with the Rivers team to reinvigorate the business and integrate the brand into the Group. All Rivers employees will be offered employment in the Group.*

*“For Specialty Fashion Group, the transaction makes business sense as it is a highly complementary acquisition. The iconic Rivers brand resonates strongly with the Group’s existing customer base. There is an operational improvement opportunity in the short-term, and we expect to grow the brand, with material benefits from the acquisition to flow through from FY2015.”*

## **Strategic rationale for the acquisition**

Specialty Fashion Group operates in a retail environment where quality, price and value are critical to its customer base. The acquisition of Rivers is beneficial for the Group because:

- The acquisition enhances the Group's market leading position in the mature, value segment of specialty fashion and footwear retail;
- It marks the Group's entrance into value footwear, men's and children's clothing markets, expanding the Group's reach to new and current customers; and
- Rivers is an iconic Australian brand that is a complementary fit for the Group's brand portfolio and presents significant growth opportunities that are expected to be realised by FY2015.

## **Combining Rivers with the Group**

Specialty Fashion Group has a strong track record of acquiring brands and delivering operational improvements to extract maximum value from these businesses. In the short term, the Group intends to improve Rivers' performance through better inventory management and overhead savings. The Group plans to invest approximately \$4 million in resources on an annualised basis by FY2015 to ensure delivery of the improvement and growth of Rivers. All employees of Rivers Australia will be offered employment with the Group.

## **Growth opportunity**

The acquisition of Rivers extends the Group's product offering in quality, stylish and value for money women's clothing and expands the Group's product offer into men's clothing, children's clothing and value footwear.

For Rivers, there is potential to grow its portfolio to 220 stores, and significant growth opportunities can be gained from leveraging the Group's customer insights, production, design and digital capabilities. The Group has a database of seven million customers, and can directly market to these customers on behalf of Rivers driving sales and achieving savings in advertising spend in the medium term.

Additionally, online sales for Rivers has the potential to grow significantly through adopting the Group's omni-channel strategy and leveraging the investments that Specialty Fashion Group has made into its digital resources.

## **Acquisition terms and funding**

Specialty Fashion Group has acquired the business and assets of Rivers for a purchase price of \$5 million. The purchase price will be funded through cash and Rivers' working capital requirements will be funded through a trade finance facility, drawn down to \$27 million on acquisition. The purchase price was at a discount to the book value of assets acquired. Fair value accounting will be applied to recognise the net assets of Rivers in the Group accounts.

Rivers' FY2014 revenue is estimated to be approximately \$180 million, delivered through its portfolio of 160 stores and online store. The brands' FY13 EBITDA was 5% of revenue. Significant cost savings of approximately \$10 million (\$6 million net after investments) are expected to be realised on an annualised basis by FY2015.

*“A strong balance sheet and well-managed cash position has afforded the Group this opportunity which is earnings accretive. In the immediate term we intend to improve the stock turns of the business, driving sales and reducing the working capital requirements of the brand. Medium to long term we can take advantage of the leverage of the Group to Rivers’ benefit, and invest in store growth. Further guidance will be provided in the Group’s half year results in February 2014,”* Mr Perlstein added.

**ENDS**

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**About Specialty Fashion Group**

Specialty Fashion Group is the largest specialty retailer of women’s fashion in Australasia, through Millers, Katies, Crossroads, Autograph, City Chic and Rivers. Following the acquisition of Rivers, the company operates 1,046 stores in Australia and New Zealand, and its brands’ products are also available online at [www.millers.com.au](http://www.millers.com.au), [www.katies.com.au](http://www.katies.com.au), [www.crossroads.com.au](http://www.crossroads.com.au), [www.autographfashion.com.au](http://www.autographfashion.com.au), [www.citychic.com.au](http://www.citychic.com.au), [www.rivers.com.au](http://www.rivers.com.au), and in the USA at [www.citychiconline.com](http://www.citychiconline.com).