

Half Year Results F Y 1 6



SPECIALTY FASHION | GROUP

AUTOGRAPH city chic crossroads

Katies Millers



IMPORTANT NOTICE AND DISCLAIMER

This presentation has been prepared by Specialty Fashion Group Limited (the “Company”). It contains general background information about the Company’s activities current as at the date of the presentation. It is information given in summary form and does not purport to be complete. The distribution of this presentation in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions.

The Company has prepared this presentation based on information available to it, including information derived from publicly available sources that have not been independently verified. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, correctness or reliability of the information, opinions and conclusions expressed.

Any statements or assumptions in this presentation as to future matters may prove to be incorrect and differences may be material. This presentation should not be relied upon as a recommendation or forecast by the Company. To the maximum extent permitted by law, none of the Company, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it.

— AGENDA —

1 | Business
Overview

2 | Key Growth
Priorities

3 | Financial
Analysis

4 | Outlook

5 | Appendices

1

BUSINESS OVERVIEW



BUSINESS OVERVIEW | HIGHLIGHTS

	Income statement		
	H1FY16	H1FY15	FY15
Revenue (A\$m)	434.3	413.0	791.5
Revenue growth	5.2%	27.4%	15.5%
Gross profit (A\$m)	248.4	248.5	463.6
Gross margin %	57.2%	60.2%	58.6%
Underlying EBITDA (A\$m)	27.0	22.6	20.3
Underlying EBITDA margin %	6.2%	5.5%	2.6%
NPAT (A\$m)	8.8	5.9	(4.5)
NPAT margin %	2.0%	1.4%	(0.6%)
Basic EPS (cents/share)	4.6	3.0	(2.3)
Costs of Doing Business			
CODB	222.9	225.9	443.3
CODB %	51.3%	54.7%	56.0%

- Solid performance across key metrics:
 - Fourth consecutive reporting period of Comparable Stores Growth (“CSG”) Sales of more than 5%. Actual CSG Sales 5.7%.
 - Achieved revenue growth of 5.2% despite reduction in average number of stores for the period from 1,100 for H1FY15 to 1,088 H1FY16.
 - Gross margin lower predominantly due to strengthening USD on cost of purchases, offset against gains on negotiated product pricing and duty.
 - The Group’s costs of doing business (“CODB”), as a percentage of sales has improved and is lower than PCP at 51.3% for the half.
 - NPAT has increased by 49.2%.
 - EPS has increased by 53.3%.
 - Underlying EBITDA has increased by 19.5%.
- Rivers’ transformation on-track with underlying EBITDA losses for H1FY16 being half of PCP.
- City Chic delivers significant growth internationally.
- Online sales up 58.9% to \$39.1m.

BUSINESS OVERVIEW | HIGHLIGHTS

	Balance sheet and Cashflow items, Other information		
	Dec 15	Jun 15	Dec 14
Inventory (A\$m)	84.6	89.1	88.7
PP&E (A\$m)	74.5	79.3	83.1
Net cash / (debt) (A\$m)	1.4	(27.8)	5.0
Net working capital (A\$m)	14.7	(3.8)	15.4
Net assets (A\$m)	74.4	65.5	79.3
Capital expenditures, net (A\$m)	7.4	12.6	10.6
Net operating cash flow (A\$m)	36.8	10.0	30.4
Free cash flow (A\$m)	29.4	7.2	19.9
# of stores at period end	1,089	1,105	1,086

- Reduced inventory relates predominantly to the successful clearance of Rivers' inventories inherited on acquisition.
- CAPEX lower than prior year primarily due to the timing and availability of store refurbishments and new store roll-outs.
- Foreign Currency: Fully covered at US\$0.78 until 30 June 2016 with additional cover at US\$0.71 until 31 December 2016.
- Net movement in working capital compared to H1FY15 reflects the impact of reduced levels of inventories, increased trade and other payables, and increased levels of receivables for the half year.
- The \$1.0m decrease in net working capital to PCP reflects lower levels of trade and other payables at the end of the half. Extended trading terms have been renegotiated with direct suppliers where ongoing repeat orders have been established.
- Leadership management team enhanced with the newly created role of Group General Manager – Brands. Tony Brown, a senior retail executive with significant experience in high volume fashion in the UK, has been appointed to this role.
- Michael Hardwick and Anne McDonald appointed interim co chair.







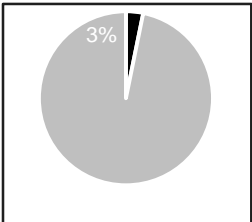
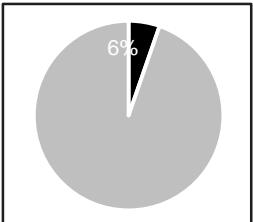
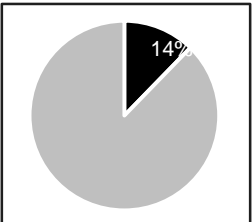
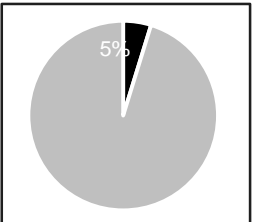
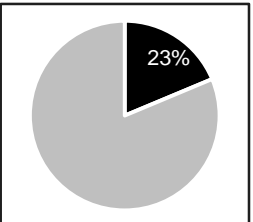
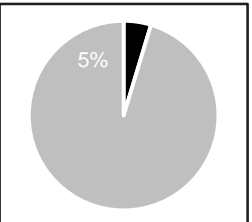
BUSINESS OVERVIEW | OMNI-CHANNEL STRATEGY

- We have been successful in our Omni-channel strategy utilising our extensive customer data base in providing our customers with a seamless shopping experience in both our stores and online. Click and collect is well entrenched in our brands and has been embraced by our team members and customers.
- We have opened 17 new stores and closed 14 loss making stores, resulting in a total of 1,089 stores at the end of December 2015. The Group plans to open 7 new stores and refurbish a further 27 existing stores during the second half of FY2016.
- We achieved 58.9% growth in online sales to \$39.1m for the half (PCP \$24.6m), which represents 9.0% of total revenues.
- The strong growth in our membership database and our insights driven digital strategy has contributed to this favourable result.
- Our dedicated in-house customer insights team and CRM platform continues to drive positive results:
 - Total customer membership database has over 8.0 million members.
 - Email customer membership has grown by 27% to 4.8 million, representing 60% of our total membership base that can be communicated directly via email.



Brands	Online sales growth H1FY16 vs H1FY15
Millers	110%
Katies	32%
Crossroads	42%
Autograph	33%
City Chic	70%
Rivers	55%
Group	59%

BUSINESS OVERVIEW | KEY BRANDS AND OPERATIONS

	Millers	Katies	Autograph	Crossroads	City Chic	Rivers
						
Target Market	Comfortable, stylish, versatile outfit building for the mature woman.	Value based fashion for the ageless and feminine woman.	Modern attainable fashion for plus-size women in sizes 14 to 26.	Fast, affordable fashion in sizes 8 to 22, for the fashion-conscious woman.	Bold, sexy and glam fashion for the younger plus-size woman.	Quality & comfort clothing and footwear for mature Australian males and females.
Indicative Price Point	\$10-\$60	\$20-\$120	\$15-\$100	\$15-\$100	\$50-\$250	\$15-\$120
Product Range	Female Apparel					Adult Apparel & Footwear
# of Stores	355	149	141	182	109	153
Loyalty Program Marketing Highlight	C3.0m Registered members. Marketing highlight – launch of “Seeing Me”.	c1.7m Registered members. Marketing highlight – launch of summer catalogue.	c830k Registered members. Marketing highlight – Vivien's Brand model search – 4,000 entries	c1.6m Registered members. Marketing highlight – launch of summer catalogue.	c550k Registered members. Marketing highlight – Macy's launch.	c1.7m Registered members. Marketing highlight – segmented catalogues offers.
H1FY16 Net Sales: Online as % of Total						

2

KEY GROWTH PRIORITIES
GARY PERLSTEIN
CEO



KEY GROWTH PRIORITIES

- The Group continues to deliver on its key growth priorities, which have delivered a solid result in ever changing trading conditions.
- Our ongoing opportunity is to accelerate our growth strategy as we navigate and reposition the business to trade in a Global Omni-channel environment.
- Our key growth priorities are:
 - Rejuvenation of existing brands across the Group;
 - Transformation of Rivers into the new age of Omni-channel retailing; and
 - Expansion into new markets beyond Australia for City Chic.

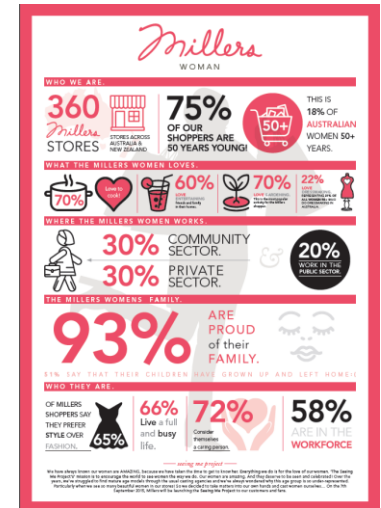


KEY GROWTH PRIORITIES | BRAND REJUVENATION



Millers Case Study

- The Brand has in-depth knowledge and understanding of its loyal customer base.
- The portfolio of newly refurbished stores are trading above the average performance of the brand overall.
- Significant uplift in online sales on PCP (110%).
- Five existing sites rebranded into the new Millers design concept during the half, with a further eight additional sites planned in the second half of FY2016.
- Successful launch of the Millers “Seeing Me” project, the brand’s long-term commitment to celebrate the mature woman, receiving significant customer engagement.
[\(http://seeingmeproject.com/\)](http://seeingmeproject.com/)
 - In society, culture, fashion and advertising the mature woman is under-represented, some might say invisible, and we’d like to change this.
 - Our mission is to encourage the world to see women the way we do.
 - The seeingmeproject.com is an evolving, living hub, where our participants will find films and inspirational interviews with like minded women, being informed with up to the minute research conducted by the Group’s in-house research team into hot topics for women aged 40+.



KEY GROWTH PRIORITIES | RIVERS' TRANSFORMATION



Rivers' Transformation

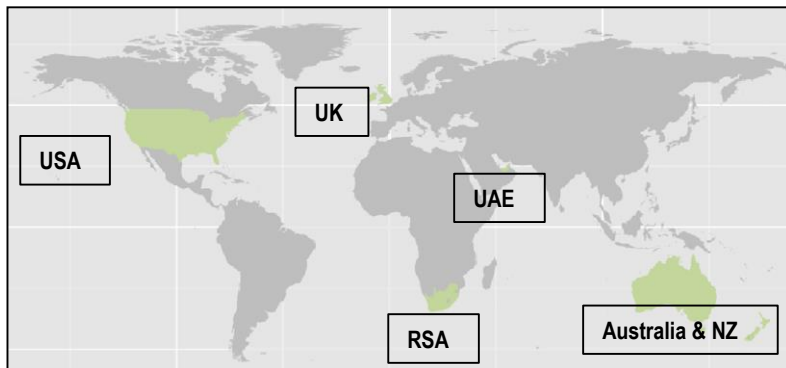
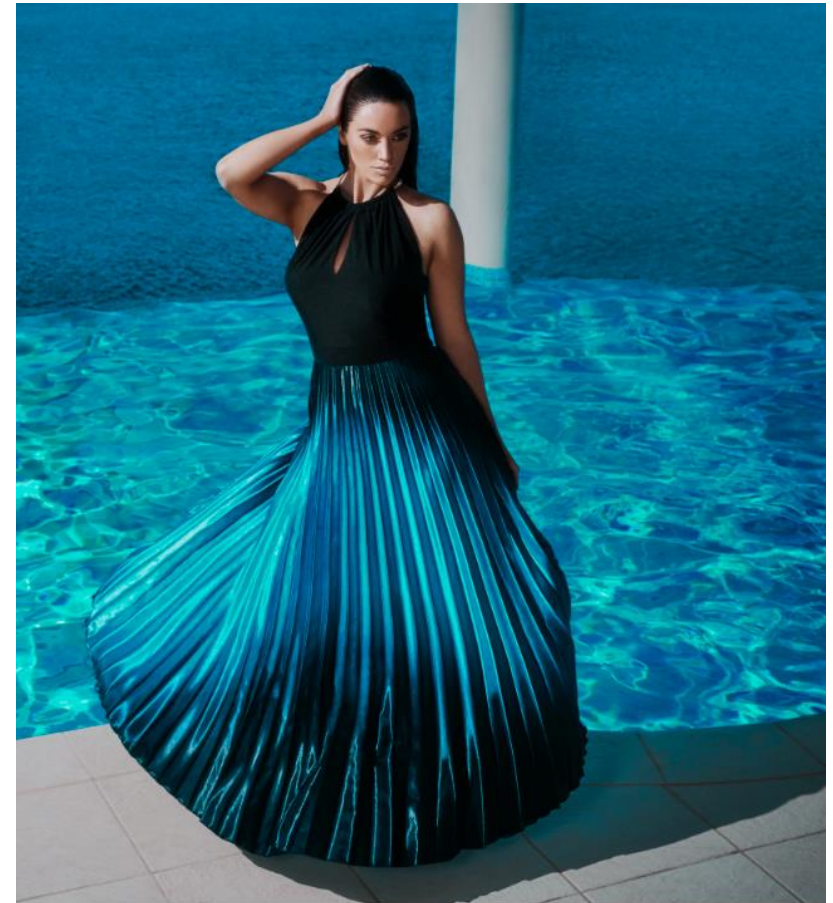
- Inventory inherited on acquisition has been cleared.
- Strong customer response to new ranges.
- Material progress reducing Rivers' CODB.
- Substantial progress growing customer membership database by 120% to 1.7m.
- 55% uplift in online sales with a strong trend of repeat purchases by registered rewards customers continues.
- Final phase of integration of Rivers' supply chain into the Group with planned closure of Rivers' Ballarat warehouse in February 2016.
- Rivers is expected to start trading profitably during FY2017.



city chic

City Chic International Expansion

- Execution of a wholesale distribution agreement into 90 Macy's stores.
- Successful product trials in Evans, part of The Arcadia Group in the UK.
- Subsequent orders have been received from this UK retailer.
- Three new licensed stores opened in Dubai during the period, under a licensing arrangement for the UAE region.
- Nordstrom – significant uplift in sales both through wholesale and online, exceeding expectations.



City Chic International Representation

CORPORATE SOCIAL RESPONSIBILITY

Ethical Trade

- The Group strives to source product in a responsible manner by operating a transparent supply chain while delivering quality, on time product and a vendor base aligned to support our product procurement.

Key Milestones

- We have established a Social Audit program for all our offshore factories.
- We conduct Social Audits on our Vendors - Focus on Wash houses / Laundries.
- We have testing programs for dangerous or banned chemicals in the manufacturing of product.
- SFG has been a member of the Bangladesh accord since 2013:
 - FY2015 focus - remediation of factory fire and building safety conditions.
 - FY2016 focus - educating the factory workers on their rights.
 - Our ongoing focus - communicate, train and help the workers develop safety committees in line with international labour standards.
- We have fully integrated Rivers into the SFG vendor base (apparel), production and QC process.

Occupational Health & Safety (OH&S)

- The Group is committed through its OH&S Strategy to ensure that SFG is a safe and healthy environment for both customers and team members alike.

Key Focus For FY2016 – OneEightyProject

- SFG's new Health & Wellbeing initiative the OneEightyProject launched on 1 July 2015.
- Innovative biometric assessments were used to form the basis of our project including several video training sessions written by a physiotherapist in order to address our biggest risk of sprain injuries/ manual handling.
- 250k warm ups and 478 health assessments completed to date, while receiving over 224 pieces of positive feedback.
- OneEightyProject Results:
 - Following 6 months of the OneEightyProject SFG has achieved an average injury reduction of 31% (against 2 year average); including an amazing 77% injury reduction for Katies.
 - Results continued into January with SFG achieving its lowest number of Lost Time Injuries and following significant decreases in injuries Workers Compensation claims are also at an all-time low.

3

FINANCIAL ANALYSIS
GARY SPRECKLEY
CFO



GROUP TRADING | HALF YEAR ENDED 31 DECEMBER 2015



	H1FY16 \$'000	H1FY15 \$'000	Change %
Revenue	434,303	413,020	5.2%
Gross Profit	248,399 57.2%	248,513 60.2%	(0.0%)
Underlying EBITDA	26,955	22,617	19.2%
EBIT	15,162	11,274	34.5%
Profit before tax	13,580	9,185	47.8%
Net profit after tax	8,818	5,855	50.6%
Basic earnings per share (cents)	4.6	3.0	53.3%

- Revenue growth driven by positive 5.7% CSG Sales supported by strong online sales growth both locally and internationally.
- Ongoing benefits continue to be derived from continued shift to directly sourced product.
- Gross margin decline mainly due to impact of strengthening USD on cost of product, offset by gains on negotiated product pricing and duty.
- The Group's costs of doing business, as a percentage of sales lower than PCP at 51.3% for the half.

GROUP CASHFLOW | HALF YEAR ENDED 31 DECEMBER 2015



WORKING CAPITAL

- Net movement in working capital reflects the impact of reduced levels of inventories, increased trade and other payables, and increased levels of receivables for the half year.
- The \$1.0m decrease to PCP reflects lower levels of trade and other payables at the end of the half.
- While the continued shift in direct supplier mix with shorter payment terms has impacted ongoing working capital funding requirements, management has been proactive in negotiating extended trading terms with direct suppliers where ongoing repeat orders have been established.

CAPEX

- Total net capex spend of \$7.4m (PCP \$10.6m) primarily for stores offset by proceeds on disposals.

NET CASH/DEBT

- Net cash position of \$1.4m, comprising cash of \$13.3m less borrowings of \$11.9m. (Net cash position PCP \$5.0m).
- \$73.7m bank loan facilities with \$44.5m unused at 31 December 2015.
- Bank loan facilities in compliance with bank covenants.

DIVIDENDS

- Board has determined not to declare an interim dividend.

	H1FY16 \$'000	H1FY15 \$'000
Underlying EBITDA	26,955	22,617
Restructuring costs	(1,527)	-
Net working capital	14,419	15,414
Net interest	(1,582)	(2,034)
Net taxes	(1,458)	(5,551)
Operating cash flow	36,807	30,446
Net capex	(7,430)	(10,555)
Free cash flow	29,377	19,891
Borrowings	(23,216)	(17,454)
Dividends	-	(3,845)
Net cash flow	6,161	(1,408)

4

OUTLOOK
GARY PERLSTEIN
CEO



OUTLOOK | GROWTH IN THE FUTURE

- The Group has continued to record positive CSG Sales since the start of the second half of FY2016 to date, and the focus for the remainder of the year is to continue:
 - Our brand rejuvenation program;
 - Rivers' transformation into a profitable and growing brand for the Group; and
 - The focused expansion of City Chic, both in Australia and abroad.
- Our ongoing opportunity is to accelerate momentum across our business as we navigate and reposition the business to trade in a Global Omni-channel environment.
- We strongly believe the key to success will be to compete for increased sales through product differentiation and customer engagement of our brands rather than competing on price.
- The Group will continue to focus on potential growth opportunities for all of our brands through measured entry into certain retail markets beyond Australia.
- Rivers is expected to start trading profitably during FY2017.



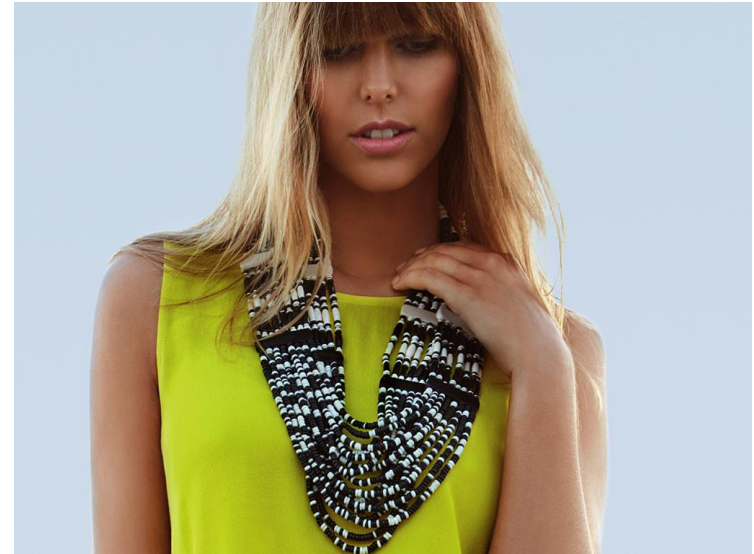
5

APPENDICES



EBITDA | RECONCILIATION

	H1FY16 \$'000	H1FY15 \$'000
Profit before tax	13,580	9,185
Interest expense	1,627	2,089
Interest revenue	(45)	(55)
EBIT	15,162	11,219
Restructuring costs	1,527	-
Depreciation and impairment	10,271	11,304
Revaluation of options	(5)	94
Underlying EBITDA	26,955	22,617



STORE MOVEMENTS | HALF YEAR ENDED 31 DECEMBER 2015

	Store movements				Store Location			
	Stores 1 Jul 15	New	Closed	Stores 31 Dec 15	Stores AU	Stores NZ	Stores USA	Stores RSA
Millers	355	2	(2)	355	327	28	-	-
Katies	150	1	(2)	149	149	-	-	-
Crossroads	180	3	(1)	182	173	9	-	-
Autograph	142	1	(2)	141	133	8	-	-
City Chic	108	3	(2)	109	88	12	7	2
Rivers	151	7	(5)	153	153	-	-	-
Total	1,086	17	(14)	1,089	1,023	57	7	2

STORE & OTHER CAPEX | HALF YEAR ENDED 31 DECEMBER 2015

	H1FY16 \$'000	H1FY15 \$'000
New stores	1,732	8,674
Refurbishments & relocations	3,199	426
IT capex	1,791	904
Head office capex	437	378
Other capex	271	173
Total net capex	7,430	10,555



	New stores \$'000	Refurbs & relocations \$'000	Total H1FY16 \$'000
Millers	62	1,890	1,952
Katies	154	187	341
Crossroads	221	322	543
Autograph	-	558	558
City Chic	286	32	318
Rivers	887	209	1,096
Other	122	-	122
	1,732	3,199	4,930



AUTOGRAPH city chic crossroads *Katies* *Millers*

