

FULL YEAR RESULTS

FY17

SPECIALTY FASHION | GROUP

AUTOGRAPH

city chic

crossroads

KATIES

Millers



AGENDA

1. Financial Overview
2. Brand Proposition
3. Key Strategic Priorities
4. Social Responsibility and Compliance
5. Outlook
6. Appendices





1

FINANCIAL OVERVIEW

FINANCIAL OVERVIEW | HIGHLIGHTS

• Group Profit

- Underlying EBITDA¹ increased by 6.6%
- Rivers trading profitably
- City Chic has now built a reputation and loyal customer base in the USA. Given the performance of the online and wholesale channels and the physical presence established via our wholesale partners, USA standalone stores will be closed.
- Underlying City Chic USA operations continue to grow strongly and trade profitably²

	Income statement	
	FY17	FY16
Revenue (A\$m)	808.9	826.2
Underlying EBITDA ¹ (A\$m)	26.7	25.0
Underlying NPBT ³ (A\$m)	2.3	0.3
NPAT (A\$m)	(8.4)	(2.2)

• Balance sheet

- Net debt position of \$8.3m, improvement of \$5m on PCP
- Inventory clean at year end
- PPE reduction driven by store consolidation program
- Improvement in working capital
- New initiatives in place to reduce working capital and further reduce debt

	Balance sheet & cash flow	
	Jun 17	Jun 16
Inventory (A\$m)	90.8	88.7
PPE & intangibles (A\$m)	80.3	94.8
Net debt (A\$m)	(8.3)	(13.3)
Movement in net working capital (A\$m)	4.4	11.0
Capital expenditures including intangibles, net (A\$m)	15.9	16.4

¹ Underlying FY2017 EBITDA adjusted for costs related to change of control proposal (\$1.4m) and store exit costs for City Chic USA stores (\$4.9m). FY2016 underlying EBITDA adjusted for provision for restructuring costs (\$1.9m).

² Excluding store exit costs for City Chic USA stores (\$4.9m).

³ Underlying FY2017 NPBT adjusted for costs related to change of control proposal (\$1.4m) and store exit costs for City Chic USA stores (\$4.9m), and asset impairment for City Chic USA stores (\$2.5m). FY2016 underlying NPBT adjusted for provision for restructuring costs (\$1.9m).

FINANCIAL OVERVIEW | HIGHLIGHTS

• Earning drivers

- Solid **sales** growth from Rivers and City Chic. Negative growth in mature brands (Millers, Crossroads, Autograph and Katies) reflective of heavy promotional activity and tightened margin discipline.
- Comparable sales⁴ decline of -2.0%
- **Online sales** up 15.0% to \$83.7m representing 10.4% of total revenues. More opportunities ahead to drive further growth.
- **Gross margin strategies continue to deliver improved traction**
- Direct sourcing continues to assist in delivering pricing benefits from new and existing suppliers
- Long term foreign currency hedging policy is driving more effective merchandising planning
- Markdown and promotional discipline continues as we focus on tightened inventory management
- Continuing to invest in improved buying practices and talent to deliver better product
- **Costs of doing business ('CODB')** continue to be well controlled despite inflationary pressures. Underlying cost decline of \$7.7m⁵ reflects the impact of store consolidation and business simplification program.
- **Store portfolio:** 1,043 including 14 concession locations in Myer (opened 30 and closed 79 stores)
- **Store rationalisation program** continues to accelerate as our online offer becomes more customer centric and intuitive
- **City Chic USA stores** will be exited now that the brand has built a solid in-store presence in Macy's, Bloomingdale's and Nordstrom, complemented by online. This will accelerate earnings growth in the future.

	Income statement		
	FY17	FY16	FY15
Revenue (A\$m)	808.9	826.2	791.5
Revenue growth %	(2.1%)	4.4%	
Gross profit (A\$m)	452.8	459.1	463.6
Gross margin %	56.0%	55.6%	58.6%
Underlying EBITDA ⁶ (A\$m)	26.7	25.0	20.3
Underlying EBITDA margin %	3.3%	3.0%	2.6%
Underlying NPBT (A\$m)	2.3	0.3	
Costs of Doing Business			
Underlying CODB ⁵ (A\$m)	426.2	434.0	
Underlying CODB %	52.7%	52.5%	

⁴ Comparable sales stated on a constant currency basis.

⁵ Underlying FY2017 CODB adjusted for costs related to change of control proposal (\$1.4m) and store exit costs for City Chic USA stores (\$4.9m). FY2016 underlying CODB adjusted for provision for restructuring costs (\$1.9m).


⁶ EBITDA is on an underlying basis. Please see the appendix (page 20) for a full reconciliation.

2

BRAND PROPOSITION

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BRAND PROPOSITION | KEY BRANDS AND OPERATIONS

	<i>Millers</i>	KATIES	AUTOGRAPH	crossroads	city chic	
Target Market	Thoughtful and affordable fashion for the mature woman.	Value based fashion for the ageless and feminine woman.	Modern, relaxed fashion that flatters women sizes 14 to 26.	Affordable fashion in sizes 8 to 22, for the fashion-conscious woman.	Bold, sexy and glam fashion for the younger plus-size woman.	The destination of stylish, quality fashion for everyday Australians.
Indicative Price Point	\$12-\$70	\$20-\$120	\$20-\$100	\$15-\$65	\$59-\$250	\$15-\$120
Product Range	Female Apparel (Plus Size and Mature)					Adult Apparel & Footwear
# of Stores	345	146	123	161	116 ⁷	148
Loyalty Program Marketing Highlight	Launched new Millers website with refresh creative.	Successfully launched website on to new platform, mobile revenue has seen a significant up lift.	Rebranding. New web platform & digital sales growth to over 15% of brand sales. Achieved 60% retention rate.	Redefined Brand DNA to align with customer & product reinvigoration strategies. Implemented instore membership drive	Opened a new concept 267sqm store in Fountaingate and launched partnership with Zalando in Europe.	2.5m Rivers Rewards program members. Completed 17 store refreshes to improve customers' experience in store.
FY17 Net Sales: Online as % of Total	3.9%	6.9%	15.6%	7.5%	29.4%	6.2%

⁷Includes 14 concession locations in Myer at 30 June 2017 (30 June 2016: 14).



3

KEY STRATEGIC PRIORITIES

KEY STRATEGIC PRIORITIES

- Continue to grow Rivers' profitability & customer penetration
- Expand City Chic across key multi channels, both in Australia and abroad
- Rejuvenate the mature brands within our portfolio (Millers, Crossroads, Katies and Autograph)
- Enhance our digital and online proposition and accelerate channel migration



KEY STRATEGIC PRIORITIES | RIVERS: GROW PROFITABILITY & CUSTOMER PENETRATION



- Business now trading profitably
- Sales traction positive driven by a lift in ASP (average selling price) and transactions
- Experienced and stable management team
- Positive customer response to improved product quality across all categories
- Significant headway achieved in reducing Rivers' CODB
- Customer membership database continues to grow
- New online platform implemented
- 23.1% uplift in online sales compared to PCP
- Inventories clean assisted by further refinement to merchandise planning and allocation systems



KEY STRATEGIC PRIORITIES | CITY CHIC: WORLDWIDE EXPANSION ACROSS KEY MULTI CHANNELS

city chic

- Positive momentum continues across Australasia
- International markets continuing to grow strongly
- USA market now profitable⁷ with solid traction in both online and wholesale
- USA stores will be exited now that the business has built a profitable beach head in the USA market
- New online platform will be completed in H1 FY18, including Afterpay offer which will be particularly appealing to City Chic customer base



City Chic International Representation



SPECIALTY FASHION GROUP

⁷ Excluding the impact of one-off store exit costs & associated store asset impairment

KEY STRATEGIC PRIORITIES | BRAND REJUVENATION

Millers AUTOGRAPH KATIES crossroads

- Soft performance influenced by challenging trading conditions, underpinned by heavy promotional activity across the market
- Promotional activity undergoing simplification and refinement to improve cut through
- New accessories and footwear offer in Millers is generating favourable customer uptake
- Millers in-store environment moving towards reduced visual clutter, tighter option plans and more product appropriate to customer base
- Continued investment in online with focus on Click and Collect, improved offers and story telling led by the “Real Women” campaign in Millers, aimed at resonating strongly with the customer base



KEY STRATEGIC PRIORITIES | ENHANCE ONLINE PROPOSITION

Omni-channel strategy is transforming the customer experience

Growth plan

- Continuing to leverage our extensive customer database to provide a more seamless shopping experience
- Online upgrade completed across all brands is expected to enhance site usability, conversion and basket size
- Afterpay launch will be completed H1 FY18 in Australia
- Significant investment will continue in all online platforms both locally and internationally as we expand our online capacity
- 'Click and collect' becoming entrenched within our brands and will continue growing as we enhance the experience
- 15.0% growth in online sales representing 10.4% of total revenues
- US market continues to trade strongly via online (+38.7%)

Brands	Online sales as a % of total
Millers	3.9%
Katies	6.9%
Crossroads	7.5%
Autograph	15.6%
City Chic	29.4%
Rivers	6.2%
Group	10.4%

	FY17	FY16	Growth
Total Revenue (A\$m)	808.9	826.2	(2.1%)
Online Sales (A\$m)	83.7	72.8	15.0%
Online Sales % of total revenue	10.4%	8.8%	1.5%

KEY STRATEGIC PRIORITIES | ACCELERATE CHANNEL MIGRATION

Migration plan

- A strategic consolidation of the SFG store network will reduce the overall footprint to sub 1000 stores by the end of FY18
- The Group is focused on the maximum retention of customers and subsequently sales by adopting a proactive approach to channel migration
- The program will be focused on targeted communications across multiple channels to attract customers into the online store or alternative location within each brand's store network.
- The program will continue to evolve over time and move to always-on automated marketing communications to migrate and retain customers.
- Customer retention strategy is delivering positive momentum

The banner features the Autograph Fashion logo at the top, with navigation links for HOME, CLOTHING, BRANDS, and SALE. A black bar contains the text 'ARMADALE SADLY WE ARE CLOSING! Thursday 24 July'. Below this is a large image of a woman in a winter jacket with the text 'IT'S OVER! But we can still be friends'. A smaller text block says 'So pretty please come & say hello to your next closest store'. Two maps show store locations in 'SUNCESS' and 'MIDLAND'. A section titled 'Or visit us online at autographfashion.com' lists benefits: 'SHOP ANYTIME ANYWHERE We promise you'll love it!!'. Six icons represent: 'FREE DELIVERY & EASY ONLINE RETURNS', 'FAST ONLINE PAYMENT BY INSTANT BANK DEBIT', 'COMPLEMENT DELIVERY & RETURNS TO YOUR DOOR', 'PERSONAL STYLING ADVICE FOR YOUR SIZE AND SHAPE', 'EXCLUSIVE PARTNERS & BRANDS TO GAZEN YOUR CHOICE', and 'ONLINE EXCLUSIVE PROMOTIONS'. The bottom text reads 'TREAT YOURSELF to a little retail therapy \$20 off'.



4

SOCIAL RESPONSIBILITY & COMPLIANCE

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Ethical Trade

Focus on developing Ethical Sourcing policies to ensure we build a fully transparent supply chain.

Key Updates

- Strengthened our Code of Conduct and Ethical sourcing policies
- More emphasis on workers human rights, and participation in worker health and safety committees
- We commit to having a slave labour free supply chain
- Implemented animal welfare policy

Key Milestones

- Achieved B rating on the BWA - Behind the Barcode report (up from C+ LY)
- Signed the Bangladesh Accord 2.0
- Introduced Vendor “MAKE YOUR MARK” program
- Traced & audited Farm to Factory on key cotton programs

On-going focus

- Trace and audit Tier 2 and 3 suppliers
- Publish our audit progress & scorecard
- Introduce worker surveys
- Supporting the Modern Slavery Act

Occupational Health & Safety (OH&S)

OHS/ WHS and Health Management Strategies ensure SFG safe and healthy environment for customers and employees.

Key Milestones

FY17 was a milestone in SFG’s Health Management strategies, the year being the first full year of our preventative and mitigation programs.

FY17 key results:

- Total number of injuries have reduced by 8.5%
- Injuries requiring time lost have reduced 45% since the implementation of SFG’s early intervention program



5

OUTLOOK

OUTLOOK | A VIEW OF THE FUTURE

- July has been impacted by heavy promotional activity and we expect this to continue
- SFG has proven agility in navigating turbulent trading conditions and will continue to trade tactically throughout the half
- The business remains focused on the delivery of its key strategic pillars which will see continued earnings momentum





6

APPENDICES

UNDERLYING EBITDA & NPBT | RECONCILIATION

	FY17 \$'000	FY16 \$'000
Loss before tax	(6,474)	(1,540)
Change of control proposal	1,357	-
Provision for store exit costs	4,903	-
Restructuring costs	-	1,873
Impairment of CC USA	2,505	-
Underlying NPBT	2,291	333
Interest expense	2,207	3,248
Interest revenue	(79)	(99)
Impairment of CC USA as above	(2,505)	-
Depreciation, amortisation and impairment	24,622	21,485
Revaluation of options	131	47
Underlying EBITDA	26,666	25,014

STORE MOVEMENTS | YEAR ENDED 30 June 2017

	Store movements				Store Location			
	Stores 1 Jul 16	New	Closed	Stores 30 Jun 17	Stores AU	Stores NZ	Stores USA	Stores RSA
<i>Millers</i>	355	1	(11)	345	318	27	-	-
KATIES	148	2	(4)	146	146	-	-	-
crossroads	181	2	(22)	161	154	7	-	-
AUTOGRAPH	138	1	(16)	123	118	5	-	-
city chic	118	15	(17)	116	96	12	6	2
	151	6	(9)	148	148	-	-	-
	1	3	-	4	3	1	-	-
Total	1,092	30	(79)	1,043	983	52	6	2

* Includes 14 concession sites in Myer at 30 June 2017 (30 June 2016: 14).

STORE & OTHER CAPEX | YEAR ENDED 30 June 2017

CAPEX including intangibles		
	FY17	FY16
	\$'000	\$'000
New stores	3,397	5,959
Refurbishments & relocations	7,290	6,493
IT capex	4,098	3,070
Head office capex	596	544
Other capex	541	315
Total capex	15,924	16,382

END

“WE WILL BE A GLOBAL MARKET LEADER AS OUR BRANDS CHANGE THE PERCEPTION OF FASHION”

AUTOGRAPH

city chic

crossroads

KATIES

Millers



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