SPECIALTYFASHION | GROUP

Autograph city chic crossroads Katies Millers

Half year Results – 31 December 2012

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AGENDA

1. H1FY13 Summary
2. Business Overview
3. Financial Analysis
4. Outlook
5. Appendices
6. Q&A

FY13

HALF YEAR SUMMARY

- Challenging retail environment, focus on levers under our control
- Significant turnaround in results, with net profit of $18.0m compared to $6.2m in H1FY12
- Revenue $311.2m, EBITDA $37.2m, NPAT $18.0m, basic EPS 9.3 cents
- 1.3% increase in revenue, 2.0% CSG sales for the half
- Growth in online sales to $11.3m for the half, 3.6% of total revenue. Growth enabled by investments made in e-commerce team, platform and logistics operation. Continued growth and cost efficiencies expected
- Highest gross margin level achieved in company's history at 62.4%; ongoing improvement targeted for second half of FY13
- Very strong financial position with highest cash level in 7 years: net cash of $45.6m. $40m unused debt facility available at end of half
- Well considered investments and rationalisation of underperforming stores: 9 new stores and 10 closures, 6 refurbishments, 892 stores in total at end of half. Net 15 new stores planned for second half
- Membership community more than 7 million members, email-valid customers grown to 2.5 million
- Interim dividend of 2 cents declared

BUSINESS OVERVIEW

GARY PERLSTEIN, CEO

THE HALF IN REVIEW

ECONOMIC CLIMATE

Economic uncertainties and structural retail changes continue

- Cash rate reductions have provided some relief to consumers, however no signs of increased discretionary spend in apparel
- Prolonged industry wide discounting has significantly altered customer expectations and spend triggers

Aussie dollar

- Aussie dollar still strong on the back of sluggish international economies and commodity support
- Ongoing strength through H1, peaked at $US1.06
- Improved USD hedge rates in H1FY13 ($1.01) and H2FY13 ($1.02)

Product costs

- Benefits reaped from decreasing cotton prices as reflected in fabric costs
- Wage inflation in China ongoing
- More favourable USD exchange rate

THE HALF IN REVIEW

A MARGIN AND COST LED RECOVERY

Positive CSG sales for the half of 2.0% compared to negative 4.5% in H1FY12

Online growth

- Online sales for the half of $11.3m ($6.3m in H1FY12), 3.6% of total revenue
- Targeted effort by brands to attract more members online and broaden product range and categories offered through online stores
- Strategies already implemented to support this growth include a dedicated e-commerce team, new multi branded e-commerce platform, and expanded logistics pick and pack facility and operations
- Group to focus on growth of established brands

Transformation of supply chain

- Historic gross margin achieved of 62.4% for the half. Improvement of 477 basis points compared to first half of prior year
- Benefits from higher selling prices, reduced product cost prices, and reduced freight costs. Direct results from the investments made in transforming to a design and direct sourcing model
- Average hedge rate of $1.01 achieved (H1FY12: $0.88)
- Further margin expansion of at least 150 basis points targeted for second half of FY13 in comparison to H2FY12

THE HALF IN REVIEW

A MARGIN AND COST LED RECOVERY

Leveraging customer relationship management capabilities

- Dedicated in-house customer insights team and CRM platform focussed on innovating customer engagement, which is yielding significant benefits
- Sophisticated customer segmentation driving increased email campaign responses well above industry standards
- Email valid customer membership grown to 2.5 million

Minimising inflation of costs of doing business

- Increase in costs of doing business for the half limited to $1.8m (1.2%) despite much higher levels of underlying inflation
- Rental savings achieved by reducing base rentals on renewed leases and exiting underperforming stores
- Despite annual store wage inflation of 3.0%, store rostering changes were made to contain these increases
- Planned $2.6m increase in costs for online operations to support growth in this channel

Physical store portfolio

- 892 stores at end of December with 9 new stores, 10 closures and 6 store refurbishments for the half
- Vacancies are increasing providing opportunities to negotiate deals on new stores with more favourable investment returns
- Optimisation of store portfolio to continue for remainder of FY13 through further store closures or adjustments to store size for underperforming stores
- Approximate increase in portfolio of 15 net stores for the second half of the year

FINANCIAL ANALYSIS

ALISON HENRIKSEN, CFO

GROUP TRADING

HALF YEAR ENDED 31 DECEMBER 2012

- Revenue growth driven by CSG sales of 2.0% outperforming general market conditions
- Higher gross margin achieved through favourable input costs and upward price point migration
- H1 USD purchases made at average rate of $1.01 (H1FY12 $0.88)
- Tightly managed wage and rental costs to limit CODB inflation, to offset increases in costs from online operations due to growth
- $0.5m decrease in depreciation to $11.2m due to lower capex and impairment charge

	H1FY13 $'000	H1FY12 $'000	Change %
Revenue	311,171	307,276	1.3%
Gross Profit	194,014 62.4%	176,918 57.6%	9.7%
EBITDA	37,190 12.0%	21,921 7.1%	69.7%
EBIT	26,006	10,230	154.2%
Profit before income tax	25,666	8,946	186.9%
Net profit after tax	17,970	6,156	191.9%
Basic earnings per share (cents)	9.3	3.2	190.6%

GROUP CASH FLOW

HALF YEAR ENDED 31 DECEMBER 2012

- Freed up working capital from well managed supplier payments and reduced inventory spend (lower product prices)
- Inventory turns 6.7 times (H1FY12: 6.3 times)
- Reduction in capital expenditure on the back of well considered store investments. Total capex $6.2m offset by proceeds on sale of building $1.5m
- $1.7m invested in expansion of creative space in Sydney for Design and Direct Sourcing team
- $0.9m invested in IT systems supporting business strategies, and $0.8m capital expenditure to expand E-Commerce pick and pack facilities
- $6.5m borrowings repaid in the half. No outstanding debt at 31 December 2012
- Net cash position of $45.6m (H1FY12 $8.2m)

	H1FY13 $’000	H1FY12 $’000	Change %
EBITDA	37,190	21,921	69.7%
Net working capital	7,675	16,378	(53.1%)
LTIP vesting expense	-	(250)	100%
Net interest	(340)	(1,284)	(73.5%)
Taxes	1,642	(4,891)	(133.6%)
Operating cash flow	46,167	31,874	44.8%
Net Capex(1)	(4,631)	(9,283)	(50.1%)
Free cash flow	41,536	22,591	83.9%
Borrowings	(6,500)	(20,000)	(67.5%)
Net cash flow	35,036	2,591	1252.2%

(1) Total capex of $6.2m offset by proceeds on sale of fixed assets of $1.5m.

FINANCIAL HEALTH

STRONG BALANCE SHEET

High cash reserves, net cash of $45.6m

- $40m working capital facility available – unused at 31 December 12
- Current average interest rate exposure 5.01%
- Refinance of debt facility complete. Matures December 2015
- Bank covenants met

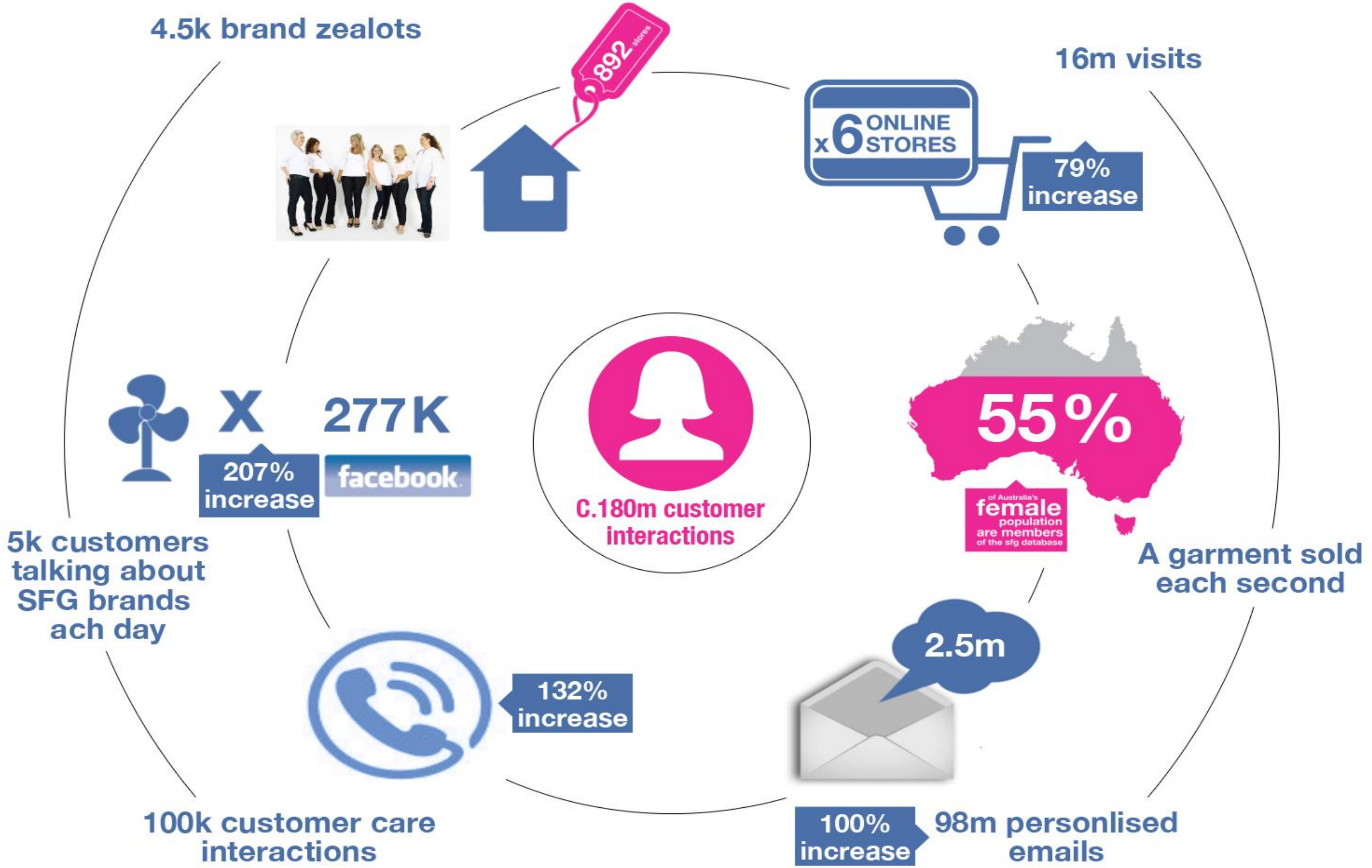
- Interim dividend of 2 cents declared, fully franked.
- Record date of 5th March, payment date of 19th March

OUTLOOK

GARY PERLSTEIN, CEO

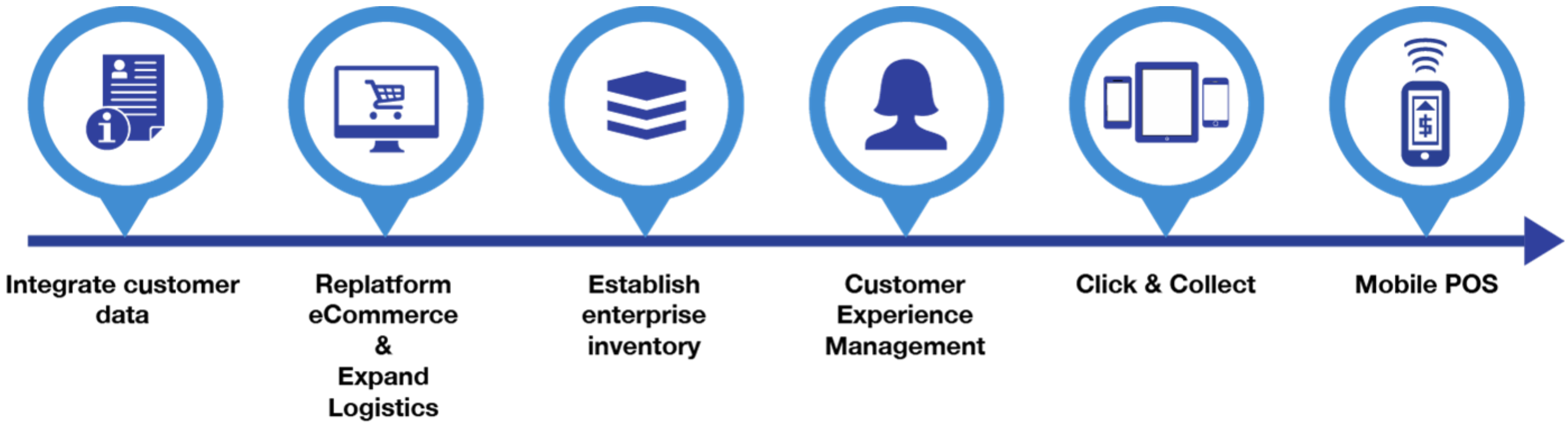
OMNICHANNEL

OPTIMISING OUR CUSTOMER TOUCHPOINTS



OMNICHANNEL

SFG'S ROADMAP



OUTLOOK

BUSINESS IMPROVEMENT

- Continued improvement in trading performance expected for remainder of FY13 on the premise of stable market conditions
- Obtain further benefits from increasing the proportion of products sourced internally from our in-house design team and direct sourcing model
- Continue to grow and evolve our omni-channel offering with focus on business improvements to support this strategy
- Further development of Group's established brands:
  - Broadening of category offering
  - Pursuit of new store growth for FY14
- Continue to close/exit underperforming stores
- Take advantage of strong financial position that will provide flexibility to navigate through continuing landscape changes in the retail sector, and seize opportunities to capture market share as they present themselves

APPENDICES

EBITDA RECONCILIATION

HALF YEAR ENDED 31 DECEMBER 2012

	H1FY13 $'000	H1FY12 $'000
Profit before tax	25,666	8,946
Interest expense	488	1,409
Interest revenue	(148)	(125)
EBIT	26,006	10,230
Depreciation(1)	11,184	11,691
EBITDA	37,190	21,921

(1) Depreciation includes an impairment charge of $0.6m in H1FY13 and $1.8m in H1FY12

APPENDIX 4D RECONCILIATION

RENTAL AND EMPLOYEE BENEFITS EXPENSE

	Rental expense $’000	Employee benefits expense $’000
H1FY12	56,164	73,453
Net decrease in stores	(821)	(594)
Inflation	2,190	1,377
Stepped leases(1)	1,201	-
Wage savings(2)	-	(844)
Other year on year changes(3)	(2,636)	2,073
H1FY13	56,098	75,465

(1) Movement in stepped lease provision as required under accounting standard AASB117

(2) Store roster optimisation savings

(3) Lease renewal and exit savings; increase in workers compensation insurance and incentive accruals

STORE MOVEMENTS

HALF YEAR ENDED 31 DECEMBER 2012

	Stores 1 July 12	New	Closed	Stores 31 Dec 12	Stores Aus	Stores NZ
Millers	367	1	(2)	366	339	27
Katies	151	2	(1)	152	152	-
Crossroads	163	5	(5)	163	163	-
Autograph	116	1	-	117	117	-
City Chic	77	-	(1)	76	63	13
La Senza	19	-	(1)	18	18	-
Total	893	9	(10)	892	852	40

STORE AND OTHER CAPEX

HALF YEAR ENDED 31 DECEMBER 2012

	New stores H1FY13	Refurbs H1FY13	Total H1FY13
Millers	1	1	2
Katies	2	1	3
Crossroads	5	2	7
Autograph	1	-	1
City Chic	-	-	-
La Senza	-	2	2
Total	9	6	15

	H1FY13 $'000	H1FY12 $'000
New stores	1,887	5,539
Refurbishments	195	1,464
Head office capex	1,743	-
IT capex	856	1,773
Other capex(1)	1,497	507
Proceeds from sale(2)	(1,547)	-
Total net capex	4,631	9,283

(1) Other capex includes $0.8m of pick and pack equipment for the E-Commerce logistics operation
(2) Proceeds from sale of office building