Half Year Results

FY15

SPECIALTYFASHION | GROUP

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AGENDA

1. H1FY15 Summary
2. Business Overview
3. Financial Analysis
4. Outlook
5. Appendices Q&A

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H1FY15 SUMMARY

H1FY15 | HALF YEAR SUMMARY

- A strong performance from the business excluding Rivers.
- Rivers integration ongoing, improvement in performance expected to take a further 12-18 months.
- Revenue $413.0m, EBITDA $22.6m, NPAT $5.9m, basic EPS 3.0 cents.
- 27.4% Revenue growth.
- 5.7% CSG sales, excluding Rivers.
- Growth in online sales to $24.6m for the half, 6.0% of total revenue.
- 73.2% Online sales growth.
- Gross margin at 60.2% for the half (PCP 63.6%), impacted by aggressive discounting in Rivers to clear excess stock inherited on acquisition.
- Net cash position of $5.0m at 31 December 2014.
- Millers continues to perform strongly under its new leadership team, delivering positive CSG and margin growth.
- 24 new stores and 14 closures, 1,105 stores in total at end of half year.
- Board has determined prudent to retain cash reserves and to not declare an interim dividend.

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BUSINESS OVERVIEW
GARY PERLSTEIN
CEO

BUSINESS OVERVIEW | ECONOMIC CLIMATE

Economic and political uncertainties continue

- Domestic political inertia (specifically with regard to the Federal Budget), the geopolitical environment, decreases in commodity prices, higher unemployment rates and the weaker Australian dollar have resulted in continued uncertainty.
- Cash rate reductions have provided some relief to consumers, fuelling an upward momentum in the housing market (especially in NSW), but no signs of increased discretionary spend in the specialty fashion market.

Australian dollar

- International economic environment weighing down on Australian dollar performance.
- Average USD hedge rate of $0.90 achieved for the half (PCP $0.99).
- Hedged at an average rate of $0.88 for second half of FY2015.

Product costs

- Cotton prices well down on FY2011 peaks driving lower fabric costs.
- Cotton call options in place until December 2015, but expect prices to remain stable.
- China wage inflation ongoing.
- Expect growth in sourcing from countries such as Bangladesh, India and Vietnam.

BUSINESS OVERVIEW | ENHANCED CUSTOMER ENGAGEMENT

Omni-channel operations

- 73.2% growth in online to $24.6m for the half (PCP $14.2m), 6.0% of total revenue.
- The successful introduction of "click & collect" to all stores contributed to this growth.
- 1,105 stores at 31 December 2014 with 24 new stores and 14 closures in the half.
- International expansion saw the opening of 6 new stores in the USA during the half.

Leveraging customer relationship management (CRM) capabilities

- Dedicated in-house customer insights team and CRM platform continued to drive positive results.
- Total customer membership database has grown to 8 million.
- Email valid customer membership has grown to 3.7 million.
- Focus for FY2015 is to increase the Group's email valid customer membership database in order to leverage the Group's existing CRM capabilities.

BUSINESS OVERVIEW | MARGIN IMPROVEMENT & CODB INVESTMENTS

Transformation of supply chain

- Gross margin of 60.2% (PCP 63.6%) achieved for the half, impacted by aggressive discounting by Rivers to clear excess inventories acquired by the Group.
- Ongoing benefits derived from continued shift in directly sourced product mix from 84% in June 2014 to 89% in December 2014.
- During the half the Group commenced the implementation of a replenishment inventory model. Benefits anticipated to be realised in FY2016 through consolidation and increased outsourcing of warehousing, as well as reductions in stock outs and markdowns.
- Key IT focus on rationalised and innovative warehousing applications in the second half of FY2015.

Managing costs of doing business

- The Group's cost of doing business, as a percentage of sales marginally lower than PCP at 54.7% for the half.
- Increased costs in the half include:
  - $4.6m underlying inflation (rental, wages and other expenses)
  - $4.4m due to omni-channel growth (stores and online)
  - $3.9m investment in Brands
  - $2.1m investment in International expansion
  - Savings of $5.5m achieved by reducing base rentals of renegotiated leases and underperforming stores

BUSINESS OVERVIEW | THREE PILLAR GROWTH STRATEGY

Millers WOMAN

1. Millers' Brand Rejuvenation

- Continues to perform strongly under its new leadership team.
- Positive CSG and margin growth during the half.
- Product hitting the mark with customers.
- New brand identity launched, and the new design concept stores performing well.
- Growth expected over the remainder of FY2015.

BUSINESS OVERVIEW | THREE PILLAR GROWTH STRATEGY

2. Rivers' Transformation

- Rivers' performance significantly impacted by legacy issues which still need to be addressed before the Rivers integration process is completed and the brand contributes to the Group's profitability.
- Considerable progress made to transition and integrate Rivers into the wider Group.
- The Group remains confident that with the continued successful execution of the focused strategies and initiatives, the Rivers business will deliver a meaningful contribution to the Group's profitability in future years.
- To transition and integrate Rivers, the Group has been focused on initiatives across five key areas of the business.

BUSINESS OVERVIEW | THREE PILLAR GROWTH STRATEGY

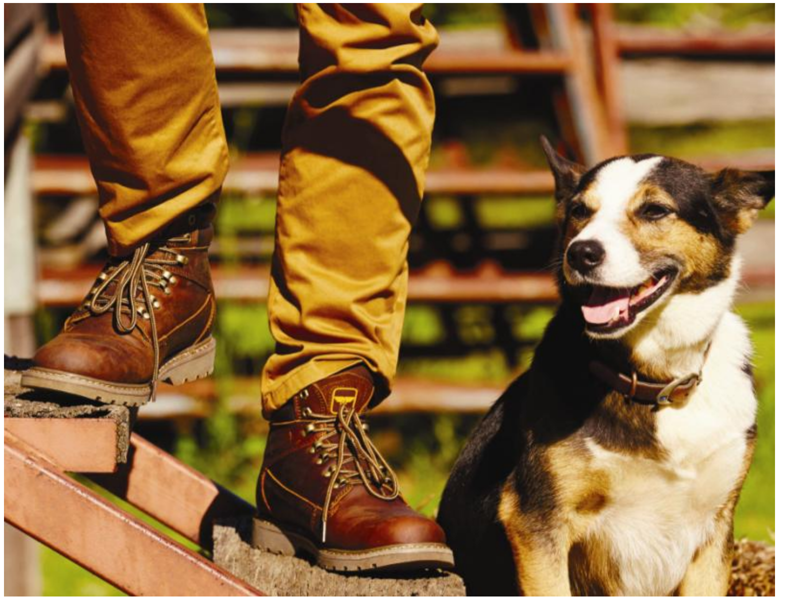
Rivers Key Focus Areas

i. Product Management

- Excessive levels of inventory inherited on acquisition have been reduced significantly during the past year through aggressive discounting and promotions.
- This outcome has been achieved within a shorter period to avoid the deterioration of Rivers' brand equity (initially a two year exercise).
- Whilst discounting has a negative impact on the Group's margins, it will provide for a more positive long term outcome for Rivers.
- New systems in place to overcome legacy issues relating to inventory purchasing and critical path management.
- Encouraging response to Rivers' womenswear category, which was the first Rivers category relaunched under the Group's full control and influence.

ii. Staffing

- An entirely new team had to be rebuilt and trained in Sydney, following the closure of Melbourne office.
- Rivers' stand-alone buying, planning and marketing teams are now fully operational.



BUSINESS OVERVIEW | THREE PILLAR GROWTH STRATEGY

Rivers Key Focus Areas

iii. Marketing

- Reducing Rivers' marketing spend was identified early as a material cost saving opportunity in the business.
- With Rivers' stores being destination sites located, typically, in non-retail locations, expensive national and regional above-the-line advertising was previously utilised to drive customers to these locations.
- A less costly digital strategy, as already adopted by the Group's other brands, will be an important lever to reduce marketing spend.
- Considerable progress has already been made to build the Rivers database system and integrate legacy systems.
- A key focus has been to clean up the database, and we are now in a position to start testing and trialling emailing offers directly to customers.

iv. Supply Chain Management

- The process to fully leverage Rivers to the Group's existing supply chain infrastructure in order to drive down costs is continuing.
- This has translated into improvements in product pricing and reduced delivery lead times, with a view to enhance flexibility in replenishment of core product lines into stores.

v. Store Performance

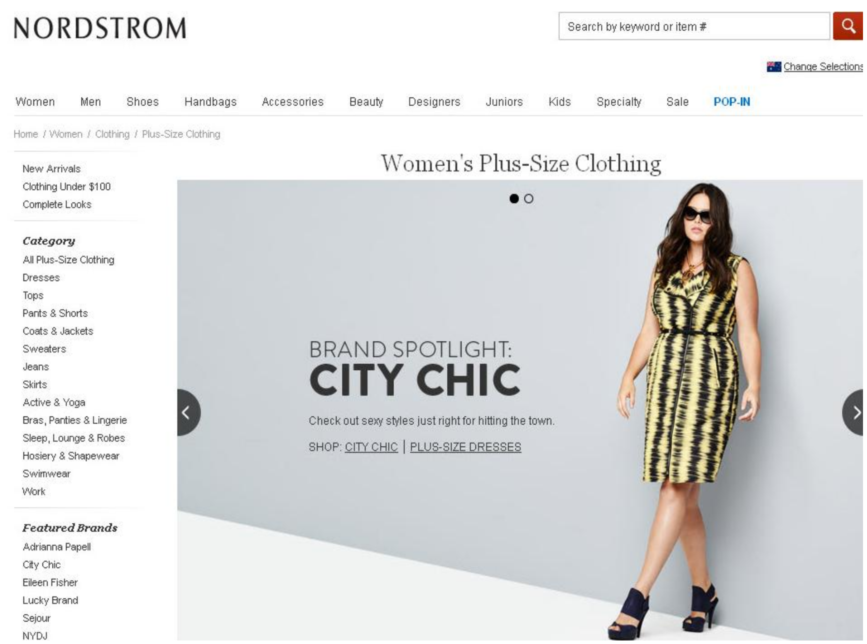
- The Group intends to expand the number of Rivers store sites once the brand has been returned to profitability.
- A new store format and design is being scoped.
- Once trialled, successful elements of the design will be rolled out in existing stores.

BUSINESS OVERVIEW | THREE PILLAR GROWTH STRATEGY

city chic

3. City Chic's Expansion into the USA and South Africa

- 6 City Chic stores opened in California since July 2014.
- City Chic continues to operate 2 stores in South Africa.
- Distribution through Nordstrom's continues to expand with 60 Nordstrom stores supplied by City Chic.
- The performance of City Chic stores in the USA will be assessed for a year before further investment in new stores in the USA is made.



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FINANCIAL ANALYSIS
GARY SPRECKLEY
CFO

GROUP TRADING | HALF YEAR ENDED 31 DECEMBER 2014

- Revenue growth driven by addition of new stores, Rivers' acquired portfolio and online sales growth. Underlying positive 5.7% CSG for the half, excluding Rivers.
- Gross margin at 60.2% for the half, negatively impacted by aggressive discounting in Rivers to clear excess stock inherited on acquisition.
- USD purchases made at average rate of $0.90.
- The Group's cost of doing business, as a percentage of sales marginally lower than PCP at 54.7% for the half.

	H1FY15 $'000	H1FY14 $'000	Change %
Revenue	413,020	324,281	27.4%
Gross Profit	248,513 60.2%	206,099 63.6%	20.6%
EBITDA	22,617 5.5%	31,178 9.6%	(27.5%)
EBIT	11,274	21,757	(48.2%)
Profit before income tax	9,185	21,421	(57.1%)
Net profit after tax	5,855	16,229	(63.9%)
Basic earnings per share (cents)	3.0	8.4	(64.3%)

GROUP CASHFLOW | HALF YEAR ENDED 31 DECEMBER 2014

	H1FY15 $'000	H1FY14 $'000
EBITDA	22,617	31,178
Discount on acquisition	-	(4,651)
Net working capital	15,414	3,739
Net interest	(2,034)	(336)
Net taxes	(5,551)	(1,228)
Operating cash flow	30,446	28,702
Net capex	(10,555)	(12,043)
Acquisition of Rivers	-	(3,889)
Free cash flow	19,891	12,770
Borrowings	(17,454)	1,406
Dividends	(3,845)	(3,845)
Net cash flow	(1,408)	10,331

- Net working capital increase of $11.7m reflecting higher inventory held for Rivers and City Chic International.
- Significant shift in direct supplier mix with shorter payment terms increases the ongoing working capital funding requirement of the Group.
- Total capex spend of $10.7m (PCP $13.1m) primarily for new stores offset by proceeds on disposals.
- Net cash position of $5.0m, comprising cash of $15.7m less borrowings of $10.7m. (Net cash position PCP $22.6m).

FINANCIAL HEALTH | STRONG BALANCE SHEET

NET CASH/DEBT

- Net cash position of $5.0m, comprising cash of $15.7m less borrowings of $10.7m. (Net cash position PCP $22.6m).
- $70.0m bank loan facilities and $8.0m asset finance facility available; $39.4m unused bank loan facilities and $2.4m unused asset finance facility at 31 December 2014.
- Subsequent to period end, the Company renegotiated an extension of the above bank loan facilities to mature in November 2016.
- Bank loan facilities in compliance with bank covenants.

DIVIDENDS

- Board has determined prudent to retain cash reserves and to not declare an interim dividend.

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OUTLOOK
GARY PERLSTEIN
CEO

OUTLOOK | GROWTH IN THE FUTURE

- The Group has performed within expectations since the start of the second half of FY2015.
- The key focus areas for the second half are:
  - Millers' brand rejuvenation program, which has underpinned the strong result of the Group (excluding Rivers);
  - Rivers' transformation into a profitable and growing brand for the Group; and
  - Assessment of further expansion of the Group's store portfolio, both in Australia and abroad.

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APPENDICES

EBITDA | RECONCILIATION

	H1FY15 $'000	H1FY14 $'000
Profit before tax	9,185	21,421
Interest expense	2,089	604
Interest revenue	(55)	(268)
EBIT	11,219	21,757
Depreciation and impairment	11,304	9,268
Revaluation of options (1)	94	153
EBITDA	22,617	31,178

(1) Cotton call options taken out during the year to protect against rising cotton prices. Revaluation represents mark to market of options at 31 December 2014.

APPENDIX 4D | RECONCILIATION

COSTS OF DOING BUSINESS

	Rental expense $'000	Employee benefits expense $'000	Other Expenses $'000	Total $'000
H1FY14	58,424	85,754	33,968	178,146
Store Growth	1,146	1,218	1,609	3,973
Inflation (1)	2,337	2,230	-	4,567
Property Savings (2)	(5,520)	-	-	(5,520)
Investment in Brands (3)	-	3,700	238	3,938
Rivers (4)	7,443	17,187	17,109	41,739
International (5)	571	551	1,011	2,133
Ecommerce (6)	-	(88)	465	377
One off costs (7)	-	-	754	754
Other	1,098	(1,435)	(3,835)	(4,172)
H1FY15	65,499	109,117	51,319	225,935

(1) Rent 4% and wages 2.6%
(2) Lease renewal and store rationalisation savings
(3) Investments in brand team, associated recruitment and brand development costs
(4) Rivers' costs of doing business
(5) Costs associated with international expansion
(6) Costs associated with growth in the volume of online sales
(7) One-off costs principally in relation to Rivers integration

STORE MOVEMENTS | HALF YEAR ENDED 31 DECEMBER 2014

	Store Movements				Store Location			
	Stores 1 Jul 14	New	Closed	Stores 31 Dec 14	Stores AU	Stores NZ	Stores USA	Stores SA
Millers	357	3	3	357	330	27	-	-
Katies	154	2	2	154	154	-	-	-
Crossroads	189	2	6	185	176	9	-	-
Autograph	142	1	-	143	135	8	-	-
City Chic	94	12	-	106	86	12	6	2
Subtotal	936	20	11	945	881	56	6	2
Rivers	159	4	3	160	160	-	-	-
Total	1,095	24	14	1,105	1,041	56	6	2

STORE & OTHER CAPEX | HALF YEAR ENDED 31 DECEMBER 2014

	H1FY15 $'000	H1FY14 $'000
New stores	8,674	10,324
Refurbishments & relocations	426	974
IT capex	904	926
Head office capex	378	66
Other capex [1]	286	844
Proceeds from sale [2]	(113)	(1,091)
Total net capex	10,555	12,043

	New stores	Refurbs & relocations	Total H1FY15
Millers	896	140	1,036
Katies	402	71	473
Crossroads	573	21	594
Autograph	312	34	346
City Chic	5,689	53	5,742
Rivers	802	107	909
	8,674	426	9,100

(1) H1FY14: Other capex includes $0.6m motor vehicles and $0.3m OH&S spend.
(2) H1FY14: Proceeds from sale of head office building.

Millers crossroads Katies AUTOGRAPH city chic rivers