

FULL YEAR RESULTS

FY16

SPECIALTY FASHION | GROUP

AUTOGRAPH

city chic

crossroads

Katies

Millers



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AGENDA

1. Business Overview
2. Key Growth Priorities
3. Financial Analysis
4. Outlook
5. Appendices

BUSINESS OVERVIEW | HIGHLIGHTS

- Solid performance across key metrics:
 - Fifth consecutive period of Comparable Stores Growth in sales. Up 4.4%.
 - Revenue growth of 4.4%.
 - Store portfolio: 1,078 stores plus 14 concession locations in Myer (a further 10 Myer concession locations opened in July 2016.)
 - Gross margin lower due to:
 - strengthening USD on cost of purchases
 - clearance activity to exit Winter 2016 product following extended unseasonably warm winter weather
 - Costs of doing business (“CODB”), as percentage of sales, improved to 52.8%, lower than PCP.
 - NPAT improved by 51.1%.
 - EPS increased by 52.2%.
 - Underlying EBITDA increased by 23.1%.
- Rivers’ underlying EBITDA losses more than halved on PCP.
- City Chic delivers significant growth internationally.
- Online sales up 42.2% to \$72.8m.

Income Statement		
	FY16	FY15
Revenue (A\$m)	826.2	791.5
Revenue growth %	4.4	15.5
Gross Profit (A\$m)	459.1	463.6
Gross Margin %	55.6	58.6
Underlying EBITDA (A\$m)	25.0	20.3
Underlying EBITDA margin %	3.0	2.6
NPAT (A\$m)	(2.2)	(4.5)
NPAT margin %	(0.3)	(0.6)
Basic EPS (cents/share)	(1.1)	(2.3)
Cost of Doing Business		
CODB	435.9	443.3
CODB %	52.8	56.0



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BUSINESS OVERVIEW

BUSINESS OVERVIEW | HIGHLIGHTS


- Inventories lower than LY.
- CAPEX driven by investment in stores and ecommerce platform.
- Net debt position of \$13.3m: cash of \$18.9m less borrowings of \$32.2m. (Net debt position PCP \$27.8m).
- Foreign Currency: Average FX rate of US\$0.78 achieved. Cover at US\$0.73 until 30 June 2017.
- Net movement in working capital reflects net impact of:
 - lower inventories
 - increased trade and other payables
- Extended trading terms renegotiated with direct suppliers.
- Leadership team enhanced with new role of Chief Operating Officer.

Balance Sheet and Cashflow items, Other info.		
	Jun 16	Jun 15
Inventory (A\$m)	88.7	89.1
PP&E (A\$m)	73.6	79.3
Intangibles (A\$m)	21.1	18.6
Net cash/(debt) (A\$m)	(13.3)	(27.8)
Net working capital (A\$m)	10.6	(3.8)
Net assets (A\$m)	55.6	65.5
Capital expenditures, net (A\$m)	16.0	12.6
Net operating cash flow (A\$m)	30.7	5.4
Free cash flow (A\$m)	14.7	7.2
# of stores at period end*	1,078	1,086


* Excludes 14 concession locations in Myer.

BUSINESS OVERVIEW | OMNI-CHANNEL STRATEGY

- Omni-channel strategy is delivering growth.
- Leveraging customer database to give seamless shopping experience in stores and online.
- 'Click and collect' entrenched in our brands.
- Opened 28 new stores: closed 36 loss making stores. Net total of 1,078 stores at year end:
 - Plus opened 14 concession locations in Myer
 - 15 existing stores refurbished
- 42.2% growth in online sales to \$72.8m (PCP \$51.2m). Now 8.8% of total revenues.
- Database membership growth and insights-driven digital strategy key.
- In-house customer insights team and CRM platform drive positive results:
 - Customer membership database: over 8.0 million members
 - Email customer membership has grown to 5.2 million

Brand	FY16 vs FY15
<i>Millers</i>	71%
city chic	45%
	48%
crossroads	48%
AUTOGRAPH	45%
<i>Katies</i>	31%
SPECIALTY FASHION GROUP	42%

BUSINESS OVERVIEW | KEY BRANDS AND OPERATIONS

	<i>Millers</i>	<i>Katies</i>	AUTOGRAPH	crossroads	city chic	
Target Market	Affordable, thoughtful fashion that suits her lifestyle and make her look and feel amazing.	Value based fashion for the ageless and feminine woman.	Modern attainable fashion for plus-size women in 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.	Quality and comfort clothing and footwear for mature Australian men and women.
Indicative Price Point	\$12-\$70	\$20-\$120	\$20-\$100	\$15-\$65	\$59-\$250	\$15-\$120
Product Range	Female Apparel					Adult Apparel & Footwear
# of Stores	355	148	138	182	118*	151
Loyalty Program Marketing Highlight	C3.0m Registered members. Marketing highlight - building on "Seeing Me" project	C1.9m Registered members. Highlight: Successful launch of 'Move" (activewear) & "Luxe" product ranges	C875k Registered members. Highlight: Launch of online extended third party brand offer	C1.7m Registered members. Highlight: Positive response to Summer campaign brochure	C591k Registered members. Highlight: Macy's and Myer launches	C2.0m Registered members. Highlight: Reinstating on-boarding program and launch of retention drive
FY16 Net Sales: Online as % of Total	4%	6%	15%	6%	23%	5%

*Includes 14 concession locations in Myer at 30/6/16.



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KEY GROWTH PRIORITIES

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- Key growth priorities are:
 - Rejuvenation of existing brands across Group;
 - Return Rivers to profitability;
 - Expansion into new markets beyond Australia for City Chic.



KEY GROWTH PRIORITIES | BRAND REJUVENATION

Millers

- The Brand is delivering positive CSG sales.
- Strong 71% online sales growth. Now 4% of sales, and growing.
- New in-store and online branding initiatives well received.
- Nine existing sites rebranded using new Millers design concept.
- 42 stores now rebranded. Performing above brand's average.
- Growth expected to continue in FY17, supported by:
 - further roll out of new Millers' store design concept
 - opening of new stores
 - increased online sales
- "SeeingMe" project launched - brand's long-term commitment to celebrate the mature woman.



KEY GROWTH PRIORITIES | RIVERS' TRANSFORMATION



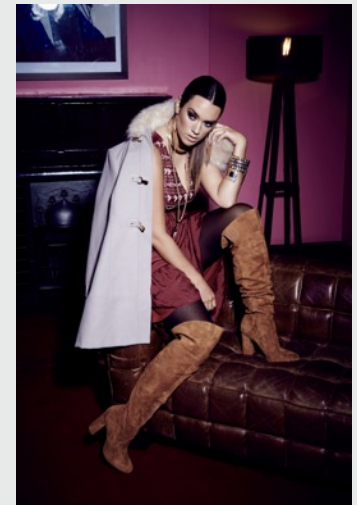
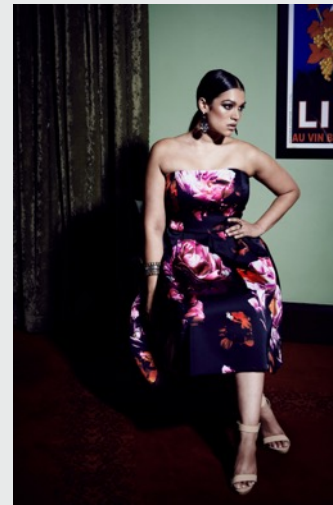
- Transformation on-track. Underlying EBITDA losses more than halved.
- Experienced management team executing turnaround strategy.
- Positive customer response to product offer across all categories.
- Material progress reducing Rivers' CODB.
- Substantial progress growing customer membership database to over 2.0m.
- 48% uplift in online sales. Strong trend of repeat purchases by registered rewards customers continues.
- Final phase of integration of supply chain complete with closure of Ballarat warehouse in February 2016.
- Rivers is expected to start trading profitably during FY2017 year.



KEY GROWTH PRIORITIES | INTERNATIONAL EXPANSION

city chic

- Wholesale distribution into 100 Macy's stores.
- Successful product trials in Evans (The Arcadia Group) in UK, supported by ongoing repeat orders.
- Significant uplift in Nordstrom sales through wholesale and online, exceeding expectations.
- Locally, City Chic rolled out 14 new concession locations into Myer during second half. 10 additional sites launched in July 2016.
- Online sales up 45% on last year. Online now 23% of sales.



KEY GROWTH PRIORITIES | SOCIAL RESPONSIBILITY

Ethical Trade

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

Key Milestones

- Signed up to the “Make Fashion Traffic Free” protocol;
- Published SFG’s ethical sourcing policies and factory supplier list; Commenced Social Audits on Tier 2 vendors: focus on fabric mills/ wash houses;
- Implemented animal welfare policy.

On-going focus

- SFG a member of the Bangladesh accord since 2013:
 - FY2016 focus - continued remediation of factory fire and building safety conditions
 - FY2017 focus - educating factory workers on rights
- On-going focus - continue to communicate, train and help workers develop safety committees in line with international labour standards.

Occupational Health & Safety (OH&S)

Committed through OH&S Strategy to ensure SFG is a safe and healthy environment for both customers and team members alike.

Key Milestones: OneEighty & Recover@Work

- Launched in July 2016, OneEighty project partners with prominent health experts to deliver 6 monthly core messages, business wide;
 - 6 months of new initiatives resulted in 60% decrease in Lost Time Injuries (LTI’s) compared to previous year
- Launch of Recover@Work Program, a health-outcome focussed workers’ compensation initiative, with milestones including:
 - Implementation of new claim management system, processes and procedures
 - Implementation of an early intervention program, with a 24/7 medical triage hotline

On-going focus

- To continue implementation of both OneEighty and Recover@Work throughout SFG.



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FINANCIAL ANALYSIS

GROUP TRADING | YEAR ENDED 30 JUNE 2016

- Revenue growth driven by positive 4.4% CSG sales, supported by strong online sales growth locally and internationally.
- Benefits derived from on-going shift to directly sourced product.
- Gross margin decline mainly due to:
 - strengthening USD on cost of purchases
 - clearance activity to exit Winter 2016 product following the extended unseasonably warm winter weather
 - offset by gains on negotiated product pricing and duty
- Costs of doing business, as percentage of sales, lower than PCP at 52.8%.
- Underlying EBITDA of \$25.0m excludes one off adjustment of \$1.9 million relating to the closure of Rivers' Ballarat warehouse.

	FY16 \$'000	FY15 \$'000	Change %
Revenue	826,240	791,512	4.4
Gross Profit	459,051 55.6%	463,617 58.6%	(1.0)
Underlying EBITDA	25,014	20,313	23.1
EBIT	1,609	(838)	(291.9)
Loss before tax	(1,540)	(4,515)	(65.9)
Net loss after tax	(2,190)	(4,462)	50.9
Basic loss per share (cents)	(1.1)	(2.3)	52.2

GROUP CASHFLOW | YEAR ENDED 30 JUNE 2016

WORKING CAPITAL

- Net movement reflects impact of
 - lower inventories
 - increased trade and other payables
- Proactive in negotiating extended trading terms with direct suppliers where on-going repeat orders.

CAPEX

- Total gross capex additions of \$18.4m (PCP \$16.3m) primarily for stores and investment in IT infrastructure.

NET CASH/DEBT

- Net debt position of \$13.3m comprising cash of \$18.9m less borrowings of \$32.2m (Net debt position PCP \$27.8m).
- \$70.0m bank loan facilities with \$30.6m unused at 30 June 2016, (PCP bank facilities totalling \$85.7m, with \$46.9m unused at 30 June 2015).
- Total available facilities will be \$52.0 million at 30 June 2017, in line with FY16 reduction, reflecting the lower borrowing requirements of the Group.
- Bank loan facilities in compliance with bank covenants.

DIVIDENDS

- Board determined not to declare a final dividend.

	FY16 \$'000	FY15 \$'000
Underlying EBITDA	25,014	20,313
Restructuring costs	(1,873)	-
Net working capital	10,560	(3,774)
Net interest	(3,149)	(3,677)
Net taxes	168	(7,489)
Operating cash flow	30,720	5,373
Net capex	(16,047)	(12,558)
Free cashflow	14,673	(7,185)
Borrowings	(2,872)	1,051
Dividends	-	(3,845)
Net cash flow	11,801	(9,979)

A woman with long hair, wearing a dark tank top and leggings, is leaning against a chain-link fence. She has her right hand on her head and is looking down. The background is a bright, slightly blurred outdoor setting.

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OUTLOOK

OUTLOOK | GROWTH IN THE FUTURE

- The Group trading in accordance with plan since the start of the FY17.
- Focus for remainder of year:
 - Brand rejuvenation program
 - Rivers' transformation into a profitable and growing brand
 - Focussed expansion of City Chic, in Australia and abroad
- Opportunity to accelerate momentum as omni-channel growth strategy gains further traction.
- Key to success is to compete for increased sales through product differentiation and customer engagement, not on price.




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APPENDICES

EBITDA | RECONCILIATION

	FY16 \$'000	FY15 \$'000
Loss before tax	(1,540)	(4,515)
Interest expense	3,248	3,791
Interest revenue	(99)	(114)
EBIT	1,609	(838)
Restructuring costs	1,873	-
Depreciation, amortisation and impairment	21,485	21,045
Revaluation of options	47	106
Underlying EBITDA	25,014	20,313


STORE MOVEMENTS | YEAR ENDED 30 JUNE 2016

Brand	MOVEMENTS				LOCATION			
	Stores 1 Jul 15	New	Closed	Stores 30 Jun 16	AU	NZ	USA	RSA
<i>Millers</i>	355	4	(4)	355	327	28	-	-
<i>Katies</i>	150	3	(5)	148	148	-	-	-
crossroads	180	6	(4)	182	173	9	-	-
AUTOGRAPH	142	1	(5)	138	130	8	-	-
city chic	108	17*	(7)	118	98	12	6	2
	151	11	(11)	151	151	-	-	-
Total	1086	42	(36)	1,092	1,027	57	6	2

* Includes 14 concession locations in Myer.

STORE & OTHER CAPEX | YEAR ENDED 30 JUNE 2016

	FY16 \$'000	FY15 \$'000
New stores	6,796	9,844
Refurbishments & relocations	7,148	4,406
IT capex	3,672	2,001
Head office capex	544	31
Other capex	324	25
Proceeds from sale	(335)	(378)
Total capex, net of proceeds*	18,149	15,929

Brand	New stores \$'000	Refurbs & relocations \$'000	Total FY16 \$'000
<i>Millers</i>	215	2,590	2,805
<i>Katies</i>	1,051	1,223	2,275
crossroads	568	813	1,381
AUTOGRAPH	25	554	578
city chic	1,999	383	2,382
	2,938	1,585	4,523
	6,796	7,148	13,944

* Total capex includes payables for year end for projects in progress.

END

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

AUTOGRAPH

city chic

crossroads

Katies

Millers

