

HALF YEAR RESULTS

FY18



SPECIALTY FASHION | GROUP

AUTOGRAPH

city chic

crossroads

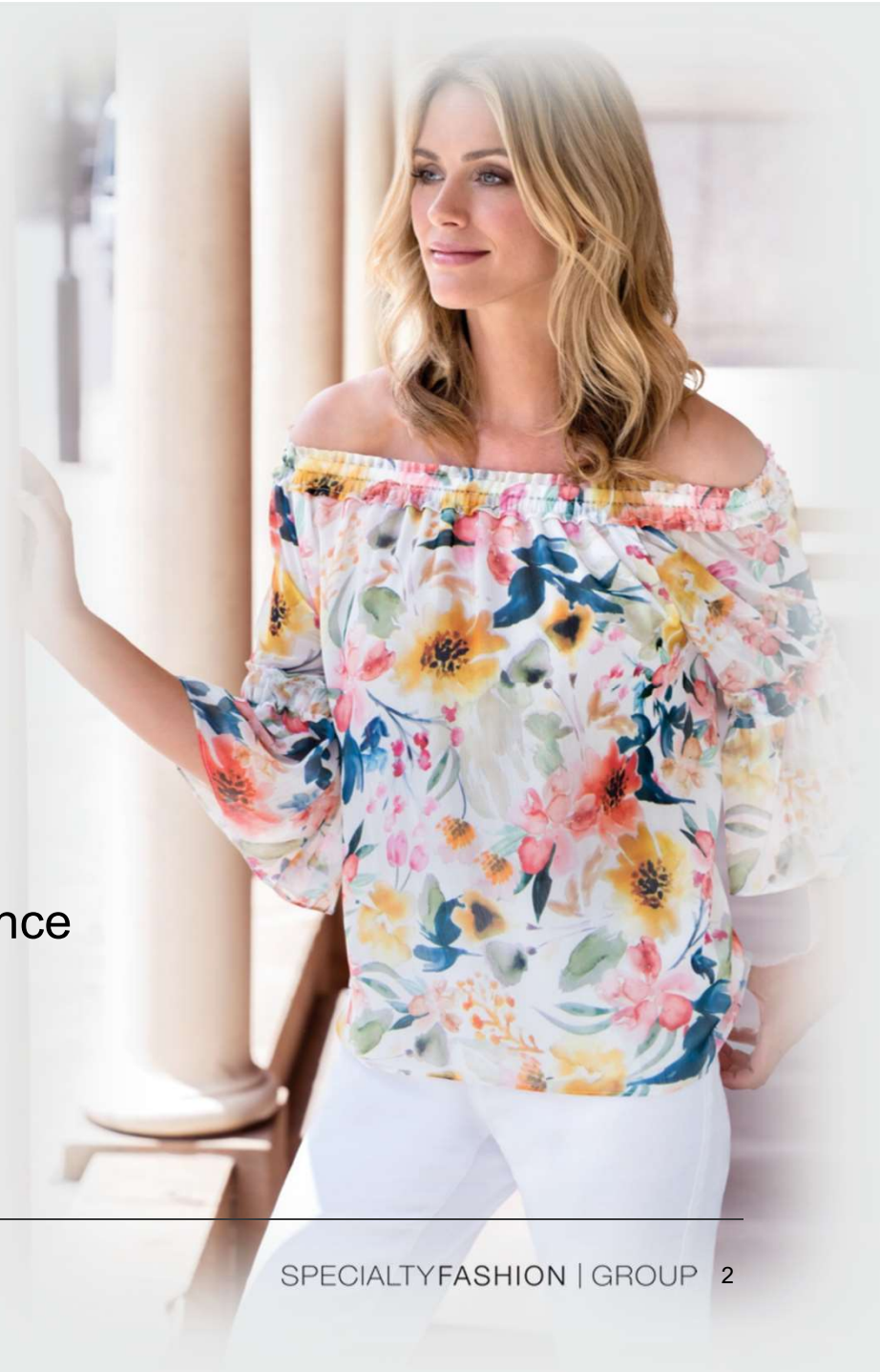
KATIES

Millers



AGENDA

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





1

FINANCIAL OVERVIEW

FINANCIAL OVERVIEW | HIGHLIGHTS

Group Profit

- Underlying EBITDA¹ of \$18.5m ahead of the trading range provided in October 2017 reflecting progress on cost transformation program and steady and sustainable margin improvements after a difficult Q1
- City Chic earning momentum continues with both the Australasian and US businesses reporting solid margin and profit growth
- Christmas trading ahead of plan following a more measured approach to promotional activity, underpinning positive comparable margin growth in Millers, City Chic and Katies
- Transformation program on track with \$6.4m in annualised costs removed from support functions
- Underlying CODB down \$14.4m³ versus LY reflecting store closures and impact of transformation program

Balance sheet

- Net Cash position of \$21.3m up \$9.0m (HY17: \$12.3m)
- Bank Borrowings of \$19.3m paid down during the period. Amendment to external financing facility as a result of improved working capital management, will result in the facility reducing to \$22m by June 2018
- Inventory down \$17.1m on PCP reflecting more disciplined buying practices, improved freshness, reduced store numbers and better stock flow
- PPE reduction driven by store consolidation program
- Working Capital improvement of \$25.8m underpinned by tightened focus on inventory turns and improved supplier terms delivered by transformation program
- Further improvements in Working Capital on track for delivery in H2

	Income statement		
	HY18	HY17	FY17
Revenue (A\$m)	399.0	430.0	808.9
Underlying EBITDA ¹ (A\$m)	18.5	30.4	26.7
Underlying NPBT ² (A\$m)	6.2	18.5	2.3
NPAT (A\$m)	3.1	12.1	(8.4)

	Balance sheet & cash flow		
	Dec 17	Jun 17	Dec 16
Inventory (A\$m)	81.9	90.8	99.0
PPE & intangibles (A\$m)	75.0	80.3	88.1
Net cash/(debt) (A\$m)	21.3	(8.3)	12.3
Movement in net working capital (A\$m)	25.8	4.4	4.6
Capital expenditures including intangibles (A\$m)	6.1	15.9	8.2

Store portfolio

- 999 including 13 concession locations in Myer (Opened 12 – mostly City Chic and closed 56 stores – mostly loss making Millers and Crossroad stores)
- Closure program continues with focus on retaining and redeploying our highly valued store teams where possible

1. Underlying HY18 EBITDA adjusted by \$1.6m – Refer to P18 for details

Underlying FY17 EBITDA adjusted for exit costs for City Chic USA stores (\$4.9m) and Change of Control Costs proposal (\$1.4m)

2. Underlying HY18 NPBT excludes one off adjustments listed above amounting to \$1.6m

Underlying FY17 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)

3. Underlying CODB adjusted by \$1.6m – Refer P18 for details

FINANCIAL OVERVIEW | HIGHLIGHTS

Earning drivers

Sales

- Solid Sales growth from City Chic across all key markets
- Established brands (Millers, Crossroads and Katies) impacted by heavy promotional activity and poor product selections early in the season (new ranges now delivering much improved sell through)
- Comparable sales¹ down -3.3% reflecting weak Q1 and much improved Q2 trading
- **Online sales** up 14.0% to \$49.1m representing 12.3% of total revenues (versus 10.0% PCP). All brands now trade on one platform in both Australia and New Zealand. Order fulfillment now completed at the new purpose built Toll facility in Sydney

Gross margin

- Margin contraction reflects aggressive promotional activity particularly pronounced in Q1
- Tightened focus on key promotional levers and more customer centric ranges in Q2 delivered margin momentum with further improvements expected in H2
- Markdown and promotional discipline improved through Q2 with tightened focus on inventory management and improved ranges
- New team at Millers and Katies now delivering improved product sell through rates and strengthened margins via mix changes and more customer focused ranges

	Income statement		
	HY18	HY17	FY17
Revenue (A\$m)	399.0	430.0	808.9
Comparable Sales %	(3.3%)	(2.0%)	(2.0%)
Gross profit (A\$m)	223.2	249.4	452.8
Gross margin %	55.9%	58.0%	56.0%
Underlying EBITDA (A\$m)	18.5	30.4	26.7
Underlying EBITDA margin %	4.6%	7.1%	3.3%
Underlying NPBT (A\$m)	6.2	18.5	2.3
Costs of Doing Business			
Underlying CODB ⁵ (A\$m)	204.7	219.1	426.2
Underlying CODB %	51.3%	51.0%	52.7%

Costs of doing business (CODB)

- Strong focus on cost control underpinned by transformation program that has reduced ongoing support costs by more than \$6.4m annually
- Underlying cost decline of \$14.4m² reflects the impact of store consolidation program and head count rationalisation within Support Office outlined above. Further improvements to be delivered in H2 as simplification of the business continues and store network optimised
- Millers/Crossroads and City Chic/Autograph 'back of house integration' completed throughout the period resulting in a leaner and more agile model


1. Comparable sales calculated on a constant currency basis
 2. Underlying FY17 CODB adjusted by \$1.6m restructure costs - Refer P18 for details
 Underlying FY17 CODB adjusted for costs related to change of control proposal (\$1.4m) and store exit costs for City Chic USA stores (\$4.9m)

2

BRAND PROPOSITION

SPECIAL FASHION

BRAND PROPOSITION | KEY BRANDS AND OPERATIONS

Brand Portfolio	Plus Size Brands		Established Brands			Lifestyle Brand
	city chic	AUTOGRAPH	<i>Millers</i>	KATIES	crossroads	
Target Market	Bold, sexy and glam fashion for the younger plus-size woman	Modern, relaxed fashion that flatters women sizes 14 to 26	Thoughtful and affordable fashion for the mature woman	Value based fashion for the ageless and feminine woman	Affordable fashion in sizes 8 to 22 for the fashion-conscious woman	The destination of stylish, quality fashion for everyday Australians
Indicative Price Point	\$59 - \$250	\$20 - \$100	\$12 - \$70	\$20 - \$120	\$15 - \$65	\$15 - \$120
# of Stores ¹	115	118	326	144	144	144
Snap shot	Highly profitable with significant future growth potential	Integrated with lean City Chic back of house model. Optimising product mix	Turnaround program on track with improving margins	Turnaround program on track with improving margins	Online continuing to perform strongly. Store closure program on track	Women's apparel and footwear on track. Ongoing focus to improve Men's offer
HY18 Net Sales: Online as % of Total	34.3%	17.8%	4.4%	7.4%	9.2%	6.0%

3

KEY STRATEGIC PRIORITIES



KEY STRATEGIC PRIORITIES | KEY BRANDS AND OPERATIONS

- **Plus Sized Businesses (City Chic and Autograph):** Customer led buying focus with lean operating model
- **Rivers:** Continued focus on a core offering of great quality merchandise at affordable prices
- **Established Brands (Millers, Crossroads and Katies):** Right product, great value and lean cost structure
- **Enhance Online Proposition**
- **Optimise Cost base**



KEY STRATEGIC PRIORITIES | Plus sized businesses: Consumer led buying with shared and lean back of house function

city chic

- Track-record of consistent and strong revenue growth despite challenging retail sector conditions
- Future growth driven by continued success in online expansion and execution of omni-channel strategy
- CODB continues to trend lower with the shift to a lower cost online model, exiting stores in the USA (completed September) and South Africa (scheduled March) and through a reduction in Support Service costs via shared back of house model
- Continuing to enhance online platform: Hybris E-commerce platform implemented, complemented by the new payment offer Afterpay



AUTOGRAPH

- Appointed new Buying head with proven track record in Plus Sized market
- Autograph 'back of house' now successfully integrated with lean City Chic operating model
- Developing more customer led buying practices
- Less promotionally focused
- Focus on optimising product mix
- Reduction of store numbers underway
- Online enhancements including website improvements



KEY STRATEGIC PRIORITIES | RIVERS: Continued focus on a core offering of great quality merchandise at affordable prices



- Significant transformation has delivered a sustainable return to profitability
- Good progress in reducing cost base
- Experienced and stable management team
- Positive customer response to improved product quality particularly in Women's footwear and apparel
- New online platform implemented
- Sharp focus on key ranges that represent the brand's DNA together with inventory right sizing
- Women's business trading solidly. Women's footwear performance in Millers delivering enhanced sales and margin
- Further work ahead to enhance Men's offer via refinement of footwear and apparel



KEY STRATEGIC PRIORITIES | ESTABLISHED BRANDS: Right product, great value and lean cost structure

Millers

KATIES

crossroads

- Performance impacted by poor but improving product selection and heavy promotional activity across the market
- Promotional activity being simplified and refined to improve cut through and deliver improved store execution
- New accessories and footwear offer in Millers delivering positive sales and margin improvements
- Modifications of Millers in-store environment under going positive change resulting in less clutter, improved visual merchandising and more appealing product for customers
- Continued investment in online with focus on Click and Collect
- Improved and simpler promotional offers complemented by authentic campaigns such as the Millers “Real Women” resonating with customer base
- Store optimisation program resulted in the exit of 20 Millers, 2 Katies, and 17 Crossroads stores
- Transition plan resulted in successful redeployment of most of our valued store team members



KEY STRATEGIC PRIORITIES | ENHANCE ONLINE PROPOSITION

Omni-channel strategy continuing to deliver solid growth

- Continuing to leverage our extensive customer database to provide a more seamless shopping experience
- Online conversion, customer experience and basket size expected to improve following transition and modifications to one online platform in Australasia
- Online upgrade completed across all brands and is expected to enhance site usability, conversion and basket size
- Afterpay launch completed in Australia has improved volume of higher margin sales
- Significant investment continuing in all online platforms both locally and internationally
- 'Click and collect' becoming well received by entrenched within our brands and will continue to grow as the transition to our new Toll operated facility is optimised
- 14.0% growth in online sales representing 12.3% of total revenues
- US market continues to trade strongly via our website or dropship¹ through our US trade partners such as Macy's and Amazon

Brands	Online sales as a % of total
Millers	4.4%
Katies	7.4%
Crossroads	9.2%
Autograph	17.8%
City Chic	34.3%
Rivers	6.0%
Group	12.3%

	HY18	HY17	Growth
Total Revenue (A\$m)	399.0	430.0	(7.2%)
Online Sales (A\$m) ²	49.1	43.1	14.0%
Online Sales % of total revenue	12.3%	10.0%	2.3%

1. Dropship related to direct delivery from City Chic USA for orders placed via third party websites such as Macy's and Amazon
 2. Previously reported HY17 online sales of \$45.6m reflected gross sales. HY17 has been restated to reflect net sales

KEY STRATEGIC PRIORITIES | OPTIMISE COST BASE

Cost reduction has been a key focus over the course of the half

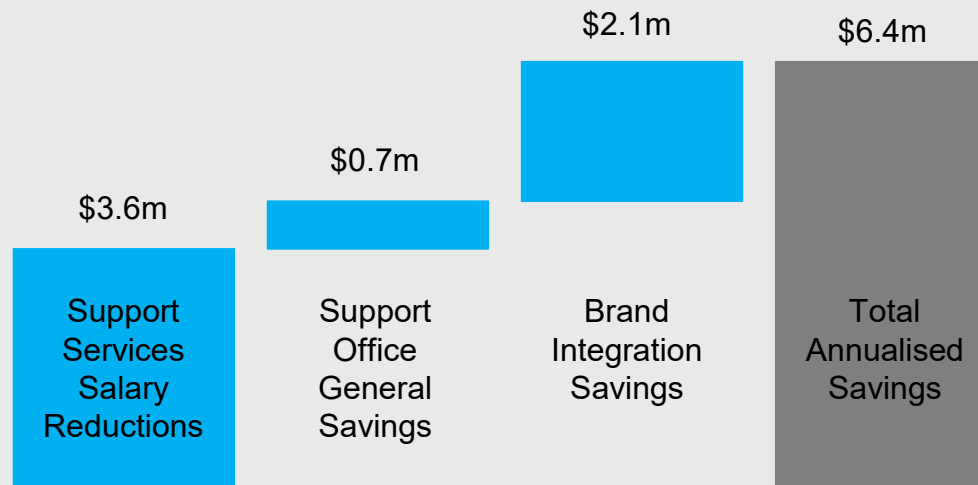
Underlying costs reduced by \$14.4m comprising: \$6.1m employee costs, \$5.7m rent (predominately due to store reduction plan) and \$2.5m of other expenses.

Key deliverables included:

- Closure of 56 loss making and marginal stores together with redeployment of our valued store teams where possible
- Shift of key functions into brand (Customer insights, Ecommerce and Design) to drive accountability, reduce costs and improve agility
- Integration of leadership and back of house functions within Millers/Crossroads and City Chic/Autograph
- Integration of 'back of house' engineered to ensure the unique DNA of each brand was not compromised nor the customer experience disrupted

Cost savings include \$6.4m of annualised cost reduction via a leaner support office

Transformation Program: Annualised Savings





4

SOCIAL RESPONSIBILITY & COMPLIANCE

SOCIAL RESPONSIBILITY & COMPLIANCE

Ethical Trade

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

Key Updates

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

We commit to having a slave labour free supply chain

Key Milestones

- Signed the Bangladesh Accord 2.0
- Introduced Vendor “MAKE YOUR MARK” program
- Launched Grievance Hotlines
- Traced & audited Farm to Factory on key cotton programs
- Engage NGO’s and Industry for multi-stakeholder - “industry wide collective bargaining”

On-going focus

- Living wage and wage analysis within our Tier 1 factories
- Expanding Grievance Hotline methods – phone, email and Webchat
- Expand on family rights within our Code of Conduct
- Strengthen our environmental policy and begin the journey towards Close the Loop/circular supplier chain

Occupational Health & Safety (OH&S)

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

H1 Key Milestones

- SFG named 2017 NSW Winner of “Excellence in recovery at work for business”. Runners up in Victoria for Return to Work and QLD for Safety, Health & Wellbeing

H1 Incident Results

- Following on from SFG’s new programs success and significant injury decreases in FY17, the business has been able to maintain results with:
- Only a minor increase in incidents of just 3%
- There was a 34% reduction in Lost Time Injuries from the prior year’s H1

5



APPENDICES

UNDERLYING EBITDA & NPBT | RECONCILIATION

	HY18 \$'000	HY17 \$'000
Profit before tax	4,606	18,479
Restructuring costs	1,827	-
Store exit costs for planned closures	1,109	-
Employment incentive payments	(1,363)	-
Underlying NPBT	6,179	18,479
Interest expense	1,011	1,155
Interest revenue	(43)	(39)
Depreciation, amortisation and impairment ¹	11,300	10,671
Revaluation of options	3	106
Underlying EBITDA	18,450	30,372

1. Depreciation, amortisation and impairment includes store asset impairment of \$2.4m for flagged store closures

STORE MOVEMENTS | HALF YEAR ENDED 31 December 2017

	Store movements ¹				Store Location			
	Stores 1 Jul 17	New	Closed	Stores 31 Dec 17	Stores AU	Stores NZ	Stores USA	Stores RSA
<i>Millers</i>	345	1	(20)	326	302	24	-	-
KATIES	146	-	(2)	144	144	-	-	-
crossroads	161	-	(17)	144	138	6	-	-
AUTOGRAPH	123	-	(5)	118	113	5	-	-
city chic	116	6	(7)	115	101	12	-	2
	148	1	(5)	144	144	-	-	-
	4	4	-	8	7	1	-	-
Total	1,043	12	(56)	999	949	48	-	2

1. Includes 13 concession sites in Myer at 31 December 2017 (30 June 2017: 14)

STORE & OTHER CAPEX | HALF YEAR ENDED 31 December 2017

CAPEX including intangibles

	HY18	HY17
	\$'000	\$'000
New stores	718	2,434
Refurbishments & relocations	2,591	3,774
IT capex	2,657	1,761
Head office capex	44	262
Other capex	127	353
Proceeds from disposals	-	(360)
Total capex	6,137	8,224

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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