

SPECIALTY FASHION | GROUP

FULL YEAR RESULTS

FY18

city chic





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RESULTS OVERVIEW

KEY HIGHLIGHTS

Successful Transaction Delivered

Completed Structural Review

Divested Millers, Katies, Autograph, Crossroads and Rivers to Noni B for \$31m¹ on 2 July 2018

Enables single focus on best performing brand, City Chic

Divestment overview in Appendix (P25)

Strong Results for City Chic

Continuing Operations (City Chic) Underlying EBITDA of \$19.9m vs \$11.1m in prior year – result is at upper end of guidance

Comparable sales growth of 12.9%

Underlying CODB as % of sales of 44.1% vs 48.9% in prior year

Strengthened Balance Sheet

YE net cash position of \$16.1m vs net debt of \$8.3m in prior year

\$31m of sales proceeds received on 2 July 2018 (post year end)

Debt facility fully repaid post year end; new \$15m facility to Feb 2021

Net cash post transaction settlement and separation costs of approximately \$25m

Well Positioned for Growth

Leading position in the attractive, fast growing plus size segment

Compelling range of strategic growth opportunities

Adjustment to share capital made to facilitate future franked dividend payments from retained earnings

Dividend expected to recommence in FY19 with a payout ratio representing a minimum 50% of NPAT²

city chic

\$132m
Sales³
FY18

\$19.9m
Underlying
EBITDA FY18

12.9%
Comp Sales
Growth

15.1%
EBITDA
Margin

59.0%
Gross Profit
Margin⁴

12.1%
EBIT
Margin


36%
Online Sales


360K+ Active
Customers

1. Headline consideration before completion adjustments and transaction and separation costs.

2. Franking credit balance of \$46.0m as at 1 July 2018.

3. As a standalone business and in accordance with AASB 15, revenue relating to product sold to partners (wholesale and marketplace) are now presented net of vendor funded mark-downs (VFMD). City Chic sales revenue was previously presented gross of VFMD, as was the FY18 sales guidance of \$138m-\$140m, with a net nil impact on the gross profit.

4. Net of freight, warehouse and logistics costs.

FY18 Annual Results

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RESULTS SUMMARY

Income Statement (\$m)	FY17 (Restated)			FY18		
	Continuing ¹	Discontinued	Total	Continuing ¹	Discontinued	Total
Sales Revenue²	125.1	678.9	804.0	131.9 ↑	619.3	751.1
<i>Comp Sales Growth³</i>	6.7%	(4.2%)	(2.0%)	12.9% ↑	(3.7%)	(1.3%)
Underlying EBITDA	11.1	15.6	26.7	19.9 ↑	4.1	24.0
<i>Underlying EBITDA Margin</i>	8.9%	2.3%	3.3%	15.1% ↑	0.7%	3.2%
Adjustments	(5.1)	(1.2)	(6.3)	(3.0)	(10.4)	(13.3)
Reported EBITDA	5.9	14.4	20.4	16.9 ↑	(6.2)	10.7
Underlying EBIT⁴	6.7	(2.2)	4.5	16.0 ↑	(12.1)	3.9
<i>Underlying EBIT Margin</i>	5.4%	(0.3%)	0.6%	12.1% ↑	(2.0%)	0.5%
Reported EBIT⁴	(1.0)	(3.3)	(4.2)	13.1 ↑	(22.5)	(9.4)
Reported NPAT⁵			(8.4)	15.0	(24.3)	(9.3)

Balance Sheet (\$m)	30 June 2017			1 July 2018		
	Continuing ¹	Discontinued	Total	Continuing ¹	Discontinued	Total
Inventory			90.8	15.8		15.8
Net Cash / (Debt) ⁶			(8.3)	16.1		16.1

1. Continuing operations excludes brands sold to Noni B on 2 July 2018 (post year end). Continuing operations have been allocated a larger portion of SFG's shared services costs to reflect the higher go-forward standalone costs for City Chic. The shared service costs typically allocated to the discontinued brands have been adjusted down by the higher allocation to City Chic.

2. As a standalone business and in accordance with AASB 15, revenue relating to product sold to partners (wholesale and marketplace) are now presented net of vendor funded mark-downs (VFMD). Excludes other revenue. 3. Excludes wholesale.

4. City Chic EBIT excludes allocated depreciation costs for shared services. 5. Net interest expense is allocated to continuing operations.

6. Excludes \$31m of cash proceeds from sale of brands to Noni B received on 2 July 2018 (received post year end).

FY18 Annual Results

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FINANCIAL SNAPSHOT: CITY CHIC¹

FY18 FINANCIAL PERFORMANCE

Sales Revenue²	\$131.9m	<ul style="list-style-type: none"> ✓ 12.9% CSG³ ✓ 36.1% Online Sales 	EBITDA (Underlying)	\$19.9m	<ul style="list-style-type: none"> ✓ 15.1% Margin ✓ CODB % of sales decreased to 44.1% from 48.9%
Gross Profit	\$77.8m	<ul style="list-style-type: none"> ✓ 59.0% Margin vs. 57.6% PCP ✓ Improved margin in both Retail and Online 	EBIT (Underlying)	\$16.0m	<ul style="list-style-type: none"> ✓ 12.1% Margin ✓ Not capital intensive

FINANCIAL POSITION (1 Jul 18)

Net Cash⁴	\$16.1m	<ul style="list-style-type: none"> ✓ New 3 year facility ✓ Well capitalised ✓ Debt fully repaid post year end 	Inventory	\$15.8m	<ul style="list-style-type: none"> ✓ Disciplined controls and working capital management ✓ Stock clean
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1. Represents continuing operations; excludes discontinued operations related to the brands sold to Noni B on 2 July 2018 (post year end).

2. As a standalone business and in accordance with AASB 15, revenue relating to product sold to partners (wholesale and marketplace) are now presented net of vendor funded mark-downs (VFMD). VFMD were previously treated as COGS adjustments.

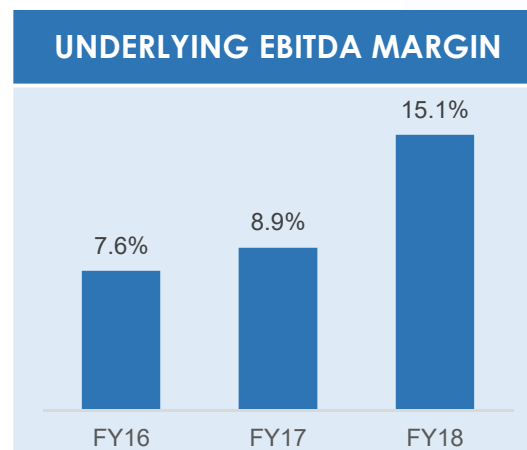
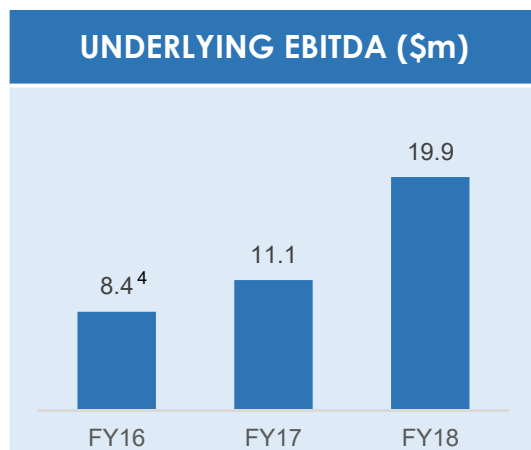
3. Excludes wholesale.

4. Excludes \$31m of cash proceeds from sale of brands to Noni B received on 2 July 2018 (post year end).

STRONG CONSISTENT GROWTH: CITY CHIC¹



- Consistent yoy sales growth (avg. 14% p.a. in last 3 years) driven primarily by online channels in ANZ and USA
- Strong CSG underpinned by expansion of customer base and innovative digital strategy



- Strong EBITDA reflects relentless focus on enhancing customer experience, driving larger customer basket sizes
- Strong online sales contribution, focus on costs and exit from loss-making USA stores supports strong EBITDA margin result

1. Excludes discontinued operations related to the brands sold to Noni B on 2 July 2018.

2. As a standalone business and in accordance with AASB 15, revenue relating to product sold to partners (wholesale and marketplace) are now presented net of vendor funded mark-downs (VFMD). City Chic sales revenue was previously presented gross of VFMD, with a net nil impact on the gross profit. Excludes other revenue.

3. Excludes wholesale.

4. Represents pro-forma EBITDA.

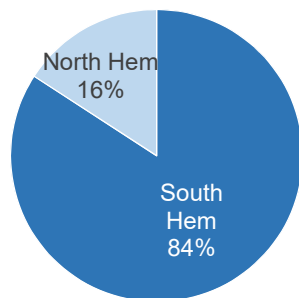
CHANNELS AND MARKETS: CITY CHIC¹

CHANNEL: CONTRIBUTION²



- Strong cohesion between channels to deliver product to the City Chic customer and enhance customer experience
- Market leading online platform with sales penetration of 36%²
- Positive growth in store sales
- Strategic initiatives to pursue growth across all channels

REGION: CONTRIBUTION²



- Australia is largest market; leading market position derived from sole focus on serving and building loyalty with customer for over a decade
- ANZ operations continue to experience strong growth; material opportunity to serve larger share of the local market
- Online USA business is experiencing significant growth and becoming an increasingly large portion of the business
- Significant expansion opportunity in the Northern Hemisphere; presence is currently early stage

1. Excludes discontinued operations related to the brands sold to Noni B on 2 July 2018.

2. As a standalone business and in accordance with AASB 15, revenue relating to product sold to partners (wholesale and marketplace) are now presented net of vendor funded mark-downs (VFMD). City Chic sales revenue was previously presented gross of VFMD, with a net nil impact on the gross profit. Excludes other revenue.

OPERATIONAL ACHIEVEMENTS IN FY18

Enhancements across the business have driven performance and sets the business up for a strong FY19

Expanded market presence in the USA

Successful expansion in to Germany through Zalando partnership

Introduced "Digital Dollars" to align incentives across channels

Broader product offering and expansion of online exclusives

Good progress on optimising cost base and improved working capital management

Implemented an improved USA warehouse solution

Launched flagship large format store at Fountain Gate

New ecommerce platform in AU; aligned platform globally

Various opportunities identified to drive further improvements

2

CITY CHIC OVERVIEW

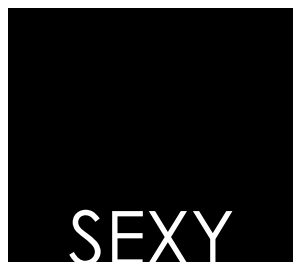
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LEADING A WORLD OF CURVES



We Are
Fearless



We Fit for
Confidence



We Are a
Sisterhood








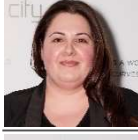



We Create
Unique
Experiences



- City Chic is devoted to serving our curvy, fashion-forward customer and making her feel sexy and glam
- We have a long standing team who understands our girls' needs
- Plus size is an underserved segment; fast growing of retail apparel market

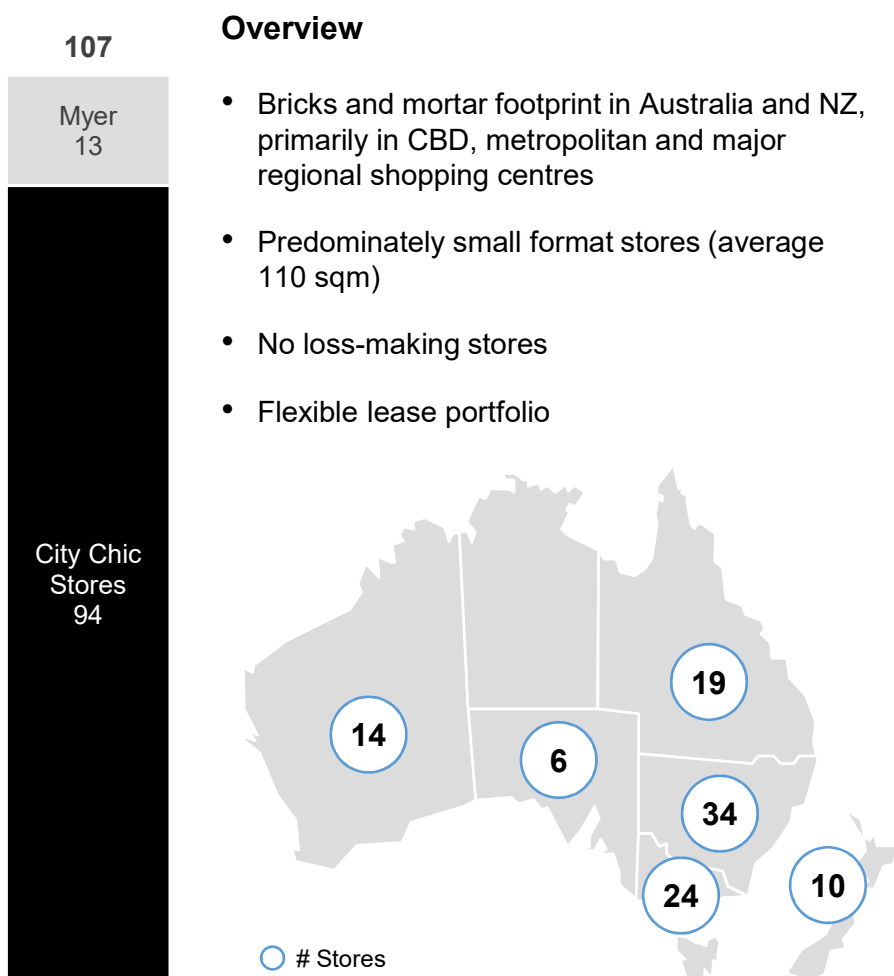
EXECUTIVE LEADERSHIP TEAM

	<ul style="list-style-type: none">General Manager of City Chic since City Chic's inception in 200625 years' experience in the retail sectorPrior to joining SFG, Phil was the COO & CFO of Ice DesignsBachelor of Business from the University of Technology Sydney and an MBA from the Australian Graduate School of Management (AGSM)		<p>Carley Turner Head of Brand <i>Joined Oct 2005</i></p>	<ul style="list-style-type: none">Carley was part of the City Chic founding team in 2006Group Marketing and Ecommerce for SFG brands
	<ul style="list-style-type: none">Over 20 years' experience in finance, commercial and strategy roles in the retail and property sectorsPrior to joining SFG, Tim was CFO of Big W and CEO of EziBuyVarious roles at Woolworths, Metcash, Anchorage Capital and Stockland		<p>Lucy McMahon Head of Product & Design <i>Joined Sep 2008</i></p>	<ul style="list-style-type: none">Designer and Buyer at MBC, Dolina Fashion and Pretty GirlSenior Product Developer at Vinetex and Apparel Group
			<p>Heath Robertshaw Head of Operations <i>Joined Nov 2013</i></p>	<ul style="list-style-type: none">National Operations Manager at Tarocash, RAG GroupGM Sales and Marketing / Director Lotus Cars / Finance (UK)Various roles at Topshop, Levis, British Home Stores (UK)
			<p>Larissa Belcher Head of Planning <i>Joined Dec 2000</i></p>	<ul style="list-style-type: none">Larissa joined the City Chic team in May 2009Planner at Katie's, Coles MyerPlanner at David JonesPlanning roles at Woolworths and British Home Stores (UK)
			<p>Jordana Silver Head of International Sales and Business Development <i>Joined Mar 2017</i></p>	<ul style="list-style-type: none">VP Merchandising at Gwynnie Bee (NYC)President Fashion Operations at StyleOwner (NYC)Account Executive at Michael Kors (NYC)
			<p>Sonia Moura Head of People & Culture <i>Joined Oct 2003</i></p>	<ul style="list-style-type: none">Various managerial Human Resources positions at Target Australia
			<p>Munraj Dhaliwal Head of Strategy & Corporate Development <i>Joined Mar 2018</i></p>	<ul style="list-style-type: none">Investment banking and corporate advisory background in Sydney and London (Luminis Partners, Royal Bank of Canada, Lonergan Edwards)

OMNI-CHANNEL STRATEGY



STORE PORTFOLIO STRATEGY



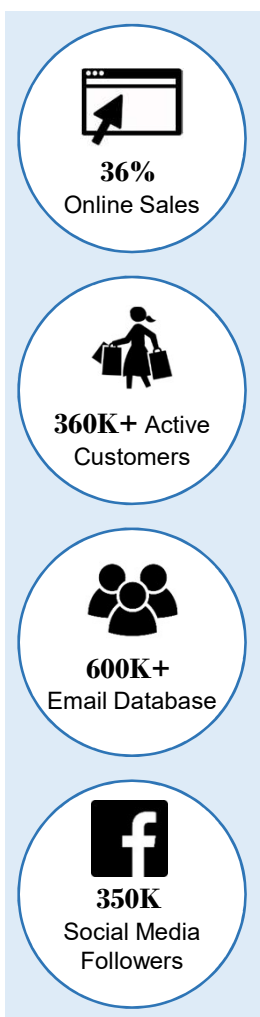
Store Growth Strategy

- Identified a number of attractive locations for large format stores; opportunity to expand footprint and offer
- Material opportunity to continue store roll-out across ANZ
- Current portfolio in good condition; investing to enhance in-store customer experience



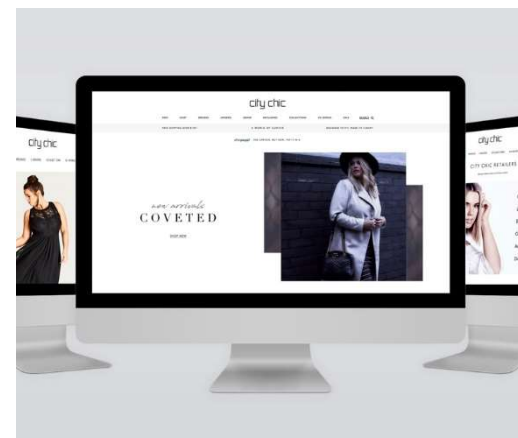
Note: store numbers as at financial year end.

ONLINE STRATEGY



City Chic Online Growth Strategy

- Investment in customer experience – platform / website enhancements, improved delivery capabilities, web chat capability, improved packaging, 24-hr customer service
- Investment in in-store digital experience – “endless aisle” and “store-to-door”
- Targeted customer acquisition in USA
- Extend range offerings



Online Marketplace Growth Strategy

- Marketplace drives brand recognition and sales in USA; opportunity to replicate in Europe / UK
- Team driving initiative to establish new partnership opportunities in USA and Europe / UK
- Renewed focus on further developing and capitalising on existing partnerships
- Introduce marketplace strategy in Australia
- New disruptive models and collaborations with partners



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FINANCIALS REVIEW

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FINANCIAL PERFORMANCE REVIEW

A\$m	FY16	FY17	FY18
Continuing Operations: Underlying			
Sales Revenue¹	\$110.4m	\$125.1m	\$131.9m
<i>Revenue Growth vs PCP</i>	24.2%	13.3%	5.5%
<i>Comparable Sales Growth²</i>	23.3%	6.7%	12.9%
Gross Profit	\$63.1m	\$72.0m	\$77.8m
<i>Gross Profit Margin</i>	57.2%	57.6%	59.0%
Underlying CODB	\$54.7m	\$61.1m	\$58.2m
Underlying EBITDA	\$8.4m	\$11.1m	\$19.9m
<i>Underlying EBITDA Margin</i>	7.6%	8.9%	15.1%
Underlying EBIT	\$4.9m	\$6.7m	\$16.0m
<i>Underlying EBIT Margin</i>	4.5%	5.4%	12.1%
Group: Reported			
NPAT: Continuing ³			\$15.0
NPAT Loss: Discontinued			(\$24.3)
NPAT Loss: Group			(\$9.3)

- Consistent, strong yoy sales growth (avg 14% p.a., last 3 yrs.)
- Comp sales growth picked up momentum in FY18, driven by strong performance across online and stores

- Gross Profit margin improved despite strong contribution of online⁴, driven by enhancing customer experience and reflecting strong buying disciplines

- Operating costs tightly controlled
- P&L reflects the “standalone” cost structure for City Chic⁵

- Significant increase in earnings margin driven by growth in online and exit from loss making USA stores and RSA
- Strong EBIT margin supported by low capital requirements

- NPAT loss from discontinued operations in FY18 represents trading losses and transaction related adjustments

1. As a standalone business and in accordance with AASB 15, revenue relating to product sold to partners (wholesale and marketplace) are now presented net of vendor funded mark-downs (VFMD). VFMD were previously reported as COGS adjustments

2. Excluding wholesale sales.

3. Net interest expense is allocated to continuing operations.

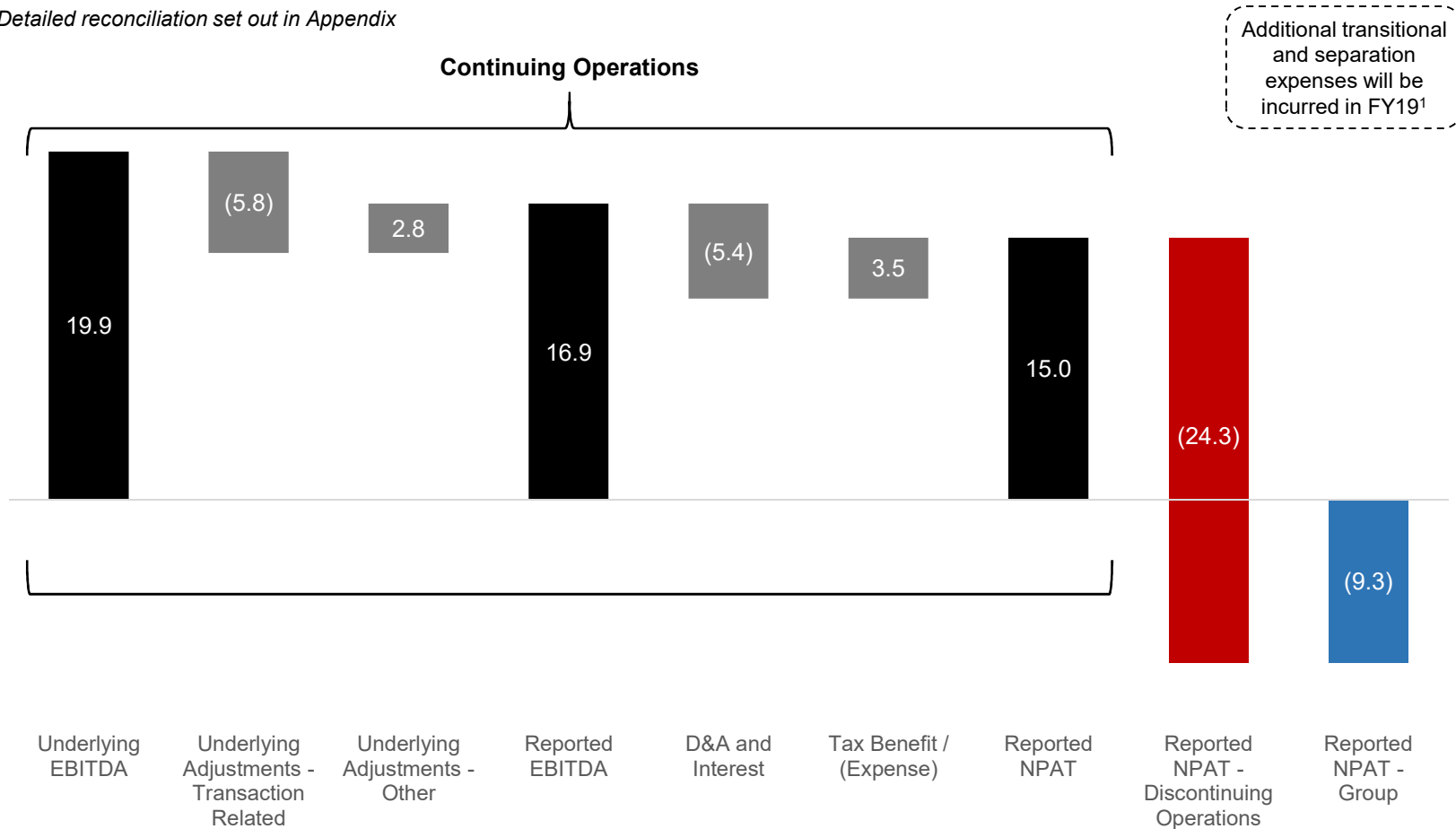
4. Online incurs higher fulfilment and distribution costs.

5. Continuing operations have been allocated a larger portion of SFG's shared services costs to reflect the higher go-forward standalone costs for City Chic. The shared service costs typically allocated to the discontinued brands have been adjusted down by the higher allocation to City Chic.

ACCOUNTING FOR THE DIVESTMENT – FY18

Bridge: City Chic Underlying EBITDA to Group Reported NPAT (\$m)

Detailed reconciliation set out in Appendix



1. SFG's pro-forma net cash at 1 July 2018 was approximately \$25m, including cash sale proceeds from divest and after allowing for expected transaction and separation costs and other retained liabilities post transaction.

FINANCIAL POSITION REVIEW

A\$m	30 Jun 17	1 Jul 18
Cash and cash equivalents	17.4	28.9
Inventories	90.8	15.8
Other	9.1	4.2
Assets held for sale	--	125.1
Current Assets	117.4	174.0
Property, plant, equipment	57.3	6.7
Intangibles	23.0	10.1
Other	4.9	5.3
Non-current Assets	85.2	22.1
Total Assets	202.5	196.1
Trade and other payables ²	84.1	44.3
Other	30.7	7.9
Liabilities held for sale	--	91.8
Current liabilities	114.8	144.0
Borrowings	25.7	12.9
Other	18.0	2.2
Non-current Liabilities	43.7	15.1
Total Liabilities	158.5	159.0
Net Assets	44.1	37.1

- Year end cash balance does not include \$31m of proceeds from sale of brands to Noni B (received on 2 July 2018)
- Net cash post transaction settlement and separation costs of approximately \$25m

- Debt facility fully repaid in July, post year end
- New \$15m facility to February 2021, more appropriately reflecting funding requirements

- Assets / liabilities sold to Noni B on 2 July 2018 are presented as held for sale

- Capital reduction undertaken to remove any uncertainty about whether the company has the ability to frank future distributions¹

- Improvement in inventory management
- Transaction related and separation costs and agreed liabilities retained within SFG are captured in payables

1. During the current financial year SFG undertook a capital reduction to reduce its share capital by \$85.3m to \$49.1m, in accordance with section 258F of the Corporations Act 2001. The reduction was allocated in full to the prior period accumulated losses account in the Parent Company with no impact on the net assets of either the Parent Company or the Group. On consolidation, the share capital of the Group also reduced by \$85.3m to \$49.1 million.

2. Expected to reduce by +15m in F19 reflective of transaction, working capital and separation adjustments

4

CITY CHIC HIGHLIGHTS

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CITY CHIC HIGHLIGHTS

- **Leading plus-size specialty retailer in Australasia, well positioned against broader retail headwinds**
- **Significant growth opportunities across City Chic's omni-channel network**
- **Strong momentum across all channels, particularly online**
- **Fast growing and loyal customer base**
- **Management team with strong track record; highly engaged and customer focused**
- **Well capitalised and strong cash flow generation (superior earnings margins¹, low capex requirements)**
- **Dividends to recommence in FY19**

GROWTH

1 Strong

2 Consistent

3 Disciplined

4 Returns-focused

1. Relatively low CODB and depreciation, and tax losses of A\$12.4m.

5

SOCIAL RESPONSIBILITY

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ETHICAL TRADE UPDATE

1

We source product in a recognised, **RESPONSIBLE** and transparent supply chain¹.

2

We expect workers in our supply chain to have safe and healthy working conditions in an environment where they are not exploited

3

We are committed to educating our business, and suppliers, on modern slavery and providing practical tools to identify and remediate issues

Key Updates

- ✓ Rolled out our Grievance Hotline across all sourcing regions
- ✓ Signed the 2018 Transition Accord
- ✓ Implemented mandatory factory Environmental Impact Assessments in China
- ✓ Strengthened our Zero Tolerance policies to continue to fight for a safer and slave free supply chain

Ongoing Focus

- Supply Chain Risk Mapping
- Social Audit beyond Tier 1
- Introduction of Environmental Audits
- Ongoing commitment to Worker Voice
- Continue to encourage factories to pay a fair living wage
- Educating and open dialogue with our partners to drive Gender Equality

FY18 Annual Results

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1. SFG is rated as "very transparent" by Oxfam in their transparency scorecard report.

APPENDIX

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DIVESTMENT OVERVIEW

- In November 2017, the Board established an Independent Review Committee (IRC) to conduct a structural review
- After considering various proposals and strategic options the IRC concluded that retaining City Chic and divesting the balance of the portfolio would maximise value for shareholders
- On 2 July 2018, SFG completed the sale of Millers, Katies, Crossroads, Autograph and Rivers to Noni B for \$31m with a post completion adjustment mechanism for cash and certain limited working capital items
- SFG retains ownership of City Chic, the most profitable brand in the portfolio with strong future earnings growth prospects
- The transaction has crystallised near-term value for SFG's capital intensive, challenged businesses
- Sale proceeds recapitalise the company, strengthen the balance sheet and create a stronger platform for future growth
- Expected to unlock opportunity for future distribution of fully franked dividends

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Divested Brands

AUTOGRAPH

CROSSROADS

KATIES

Millers



1. Based on current SFG head office cost allocation.
 2. Franking credit balance was \$46.0m as of 1 July 2018.
 3. Sales contribution FY18.

EARNINGS RECONCILIATION

	Continuing		Discontinued	
A\$m	FY17	FY18	FY17	FY18
Underlying EBITDA	11.1	19.9	15.6	4.1
Depreciation & amortisation	(4.4)	(3.9)	(17.7)	(16.3)
Underlying EBIT	6.7	16.0	(2.2)	(12.1)
Net Interest expense ¹	(2.2)	(1.6)	–	–
Underlying NPBT	4.5	14.4	(2.2)	(12.1)
Underlying Adjustments	(5.1)	(3.0)	(1.2)	(10.4)
Impairment of CC USA	(2.5)	–	–	–
Revaluation of options	(0.1)	–	–	–
Reported NPBT	(3.2)	11.5	(3.3)	(22.5)
Taxation		3.5		(1.8)
Reported NPAT		15.0		(24.3)

	Continuing		Discontinued	
A\$m	FY17	FY18	FY17	FY18
Retention/redundancy payments	–	1.7	–	–
Onerous lease/contract provisions	–	3.9	–	–
Other transaction and fair value adjustments	–	0.2	–	8.3
Subtotal – Transaction related and fair value adjustments	–	5.8	–	8.3
Provision for store exit costs	4.9	(1.1)	–	–
Gain on hedging contract	–	(1.7)	–	–
Change of control proposal	0.2	–	1.2	–
Redundancy and restructure costs	–	–	–	2.0
Subtotal – Other	0.2	(2.8)	1.2	2.0
Total Underlying Adjustments	5.1	3.0	1.2	10.4

1. Group net interest expense allocated to continuing operations.

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