SPECIALTY FASHION | GROUP

Millers crossroads Katies Autograph city chic la Senza stylefix

Full Year Results - 30 June 2012

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Agenda

1. FY12 Summary
2. Business Overview
3. Financial Analysis
4. Strategy Update
5. Outlook
6. Appendices
7. Q&A

FY12 – Full Year Summary

- Industry wide discounting continued to be prevalent
- Reductions in cash rate had little effect on consumers' discretionary spending
- Revenue $572.5m, EBITDA $21.7m, NPAT ($2.8m), basic EPS (1.5) cents
- 0.4% increase in revenue, -3.4% CSG sales for the year
- Online sales $15m for the year, 2.6% of total revenue. Continued investment in online businesses to drive significant growth
- Increase in gross margin to 58.1%; further improvement expected
- Strong financial position with net cash of $4.1m. $78.5m unused debt facility available at end of year
- Rationalisation of underperforming stores: net 2 new stores, 15 refurbishments, 893 stores in total
- Membership community continues to grow (7.3 million), email customers grown to 2.1 million
- No final dividend declared

(1) Refer to Appendices for a reconciliation of EBITDA to loss before tax.

Business Overview

Gary Perlstein, CEO

The Year In Review

Economic climate

Difficult trading conditions

- Prolonged industry wide discounting, with consumer spending stimulated by promotions
- Increased cost of living (eg. electricity prices) and uncertainty around carbon tax impacting our customers' discretionary spend
- Global economic uncertainties contributing to consumers' caution
- Reductions in cash rate failed to stimulate consumer spending

Aussie dollar

- Commodities and international economic uncertainty continue to support Aussie dollar
- Ongoing strength through H2, peaked at $US1.08
- Improved USD hedge rates in H1FY13 ($1.01) and H2FY13 ($1.02)

Product costs and other costs of doing business

- Cotton prices and China labour constraints have eased, reducing input product costs for FY13 deliveries
- Retail rental environment has softened creating opportunities to negotiate rental reductions with landlords

The Year In Review

Growing online revenue, leveraging our customer database, improving margins, and rationalising our store portfolio

Tough trading drove negative CSG for the year (-3.4%), although improved to (-2.3%) in H2

Transformation of supply chain

- Gross profit margin increase in second half of the year to 58.7% (109 basis point improvement)
- Benefits from improvements in purchase commitments with strategic supplier partners
- Average hedge rate of 93 cents achieved (FY11: 88 cents)
- Benefits of first tier planning system implementation to be realised in FY13
- Further margin expansion to 150 basis points targeted for first half of FY13

Leveraging customer relationship management capabilities

- Dedicated in-house team providing customer insights, direct marketing and engagement support to the brands
- New software platform implemented in December 2011 enabling sophisticated customer data analysis
- Email valid customer membership grown to 2.1 million
- 7.3m customer membership database in total

Online sales growth

- Online sales tripled in H2FY12 with $15m total sales for the year (2.6% of total revenue)
- Implemented a new multi branded e-commerce platform
- Online logistics operation expanded to a new 5,000sqm pick and pack facility to support online growth and drive efficiencies
- Stylefix launched 2 July 2012

The Year In Review

Store portfolio rationalisation

- 893 stores at end of June with 29 new stores and 27 closures for the year (21 store closures in second half)
- Rent decreases have been achieved on renewals
- Rationalisation of underperforming stores to continue in FY13 through further store closures or adjustments to store size
- New stores will be opened that offer an attractive return

Financial Analysis

Alison Henriksen, CFO

Group Trading

Half year ended 30 June 2012

	H2FY12 $'000	H2FY11 $'000	Change %
Revenue	265,233	261,498	1.4%
Gross Profit	155,620 *58.7%*	151,440 *57.9%*	2.8%
EBITDA(1)	(180) *0%*	6,450 *2.5%*	(102.8%)
EBIT	(11,729)	(2,587)	353.4%
(Loss)/Profit before income tax	(12,247)	(3,258)	275.9%
Net (Loss)/Profit after tax	(8,966)	(2,632)	240.7%
Basic earnings per share (cents)	(4.7)	(1.4)	235.7%

- CSG sales of -2.3%; revenue growth driven from new stores in prior periods
- H2 USD purchases made at average rate 96 cents (H2FY11: 87 cents). Gross margin improvement achieved through lower product costs, and more favourable hedge rates
- Increases in CODB associated with inflation of wages and rental costs, and additional pick and pack expenses arising from growing online businesses
- $2.5m increase in depreciation to $11.5m includes asset impairment charge of $1m

Group Trading

Full year ended 30 June 2012

	FY12 $'000	FY11 $'000	Change %
Revenue	572,509	570,304	0.4%
Gross Profit	332,538 *58.1%*	328,361 *57.6%*	1.3%
EBITDA(1)	21,741 *3.8%*	41,071 *7.2%*	(47.1%)
EBIT	(1,499)	22,745	(106.6%)
(Loss)/Profit before income tax	(3,301)	21,306	(115.5%)
Net (Loss)/Profit after tax	(2,810)	14,519	(119.4%)
Queenspark	-	(348)	
(Loss)/Profit for the period	(2,810)	14,171	(119.8%)
Basic (loss)/earnings per share (cents)	(1.5)	7.4	(120.3%)

- CSG sales of -3.4% reflecting weak demand; flat revenue overall achieved from new stores
- FY12 USD purchases made at average rate 93 cents (FY11: 88 cents).
- Increases in CODB associated with investment in new people, rising wage and rental costs, and additional costs relating to omni-channel sales strategy
- $4.9m increase in depreciation includes $2.8m increase in impairment reflecting strategic store portfolio review
- Tax benefit is lower due to a prior year underprovision

(1) Refer to Appendices for a reconciliation of EBITDA to loss before tax, and reconciliation of movements in rental and employee expenses.

Group Cash Flow

Full year ended 30 June 2012

	FY12 $'000	FY11 $'000	Change %
EBITDA	21,741	41,071	(47.1%)
Net working capital	21,317	3,274	551.1%
LTIP vesting expense	(161)	(572)	(71.9%)
Net interest	(1,802)	(1,439)	25.2%
Taxes	(4,574)	(8,525)	(46.3%)
Operating cash flow	36,521	33,809	8.0%
Capex	(16,028)	(33,862)	(52.7%)
Sale of business (Queenspark)	-	3,953	(100%)
Free cash flow	20,493	3,900	425.5%
Shares	-	309	(100%)
Borrowings	(15,500)	14,000	(210.7%)
Dividends	-	(15,322)	(100%)
Net cash flow	4,993	2,887	72.9%

- Inventory turns 5.0 times (FY11 5.3 times)
- Well managed supplier terms freed up working capital
- Reduction in capital expenditure reflecting strategic shift away from physical store expansion
- 29 new stores and 15 refurbishments
- $3.6m invested in IT systems mostly supporting new business strategies
- $15.5m borrowings repaid in the year, $6.5m of outstanding borrowings at 30 June 2012
- Net cash position of $4.1m at 30 June 2012 ($16.4m net debt in prior year)

Financial Health

Strong balance sheet with net cash of $4.1m

$85m debt facility available overall

- $40m working capital facility - Unused at 30 June 12
- $45m investment facility - $38.5m unused at 30 June 12
- Current average interest rate exposure - 5.9%
- Mature in May 2013

Bank covenants met

No final dividend declared

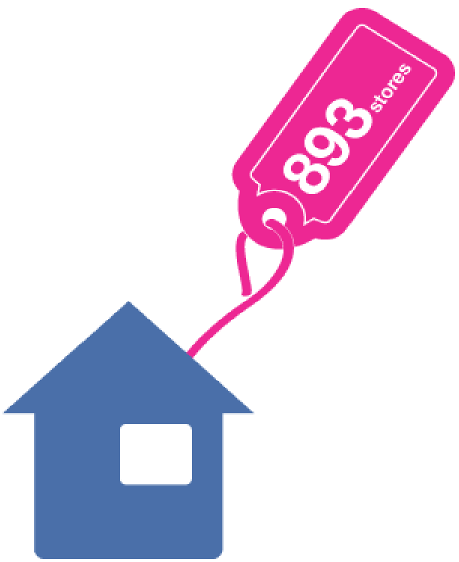
Strategy Update

Gary Perlstein, CEO

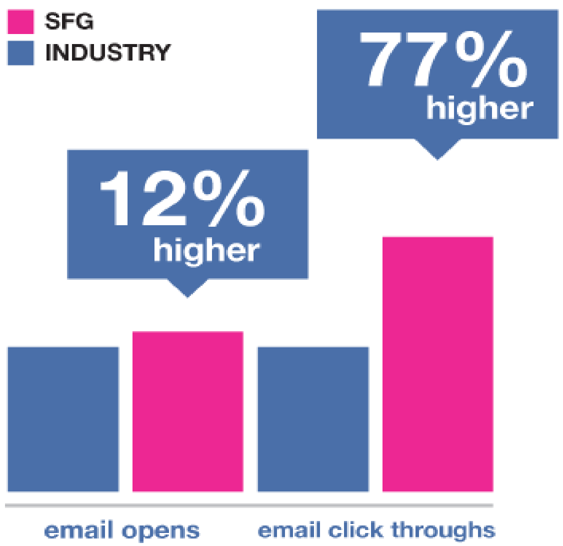
The Changing Landscape

Today

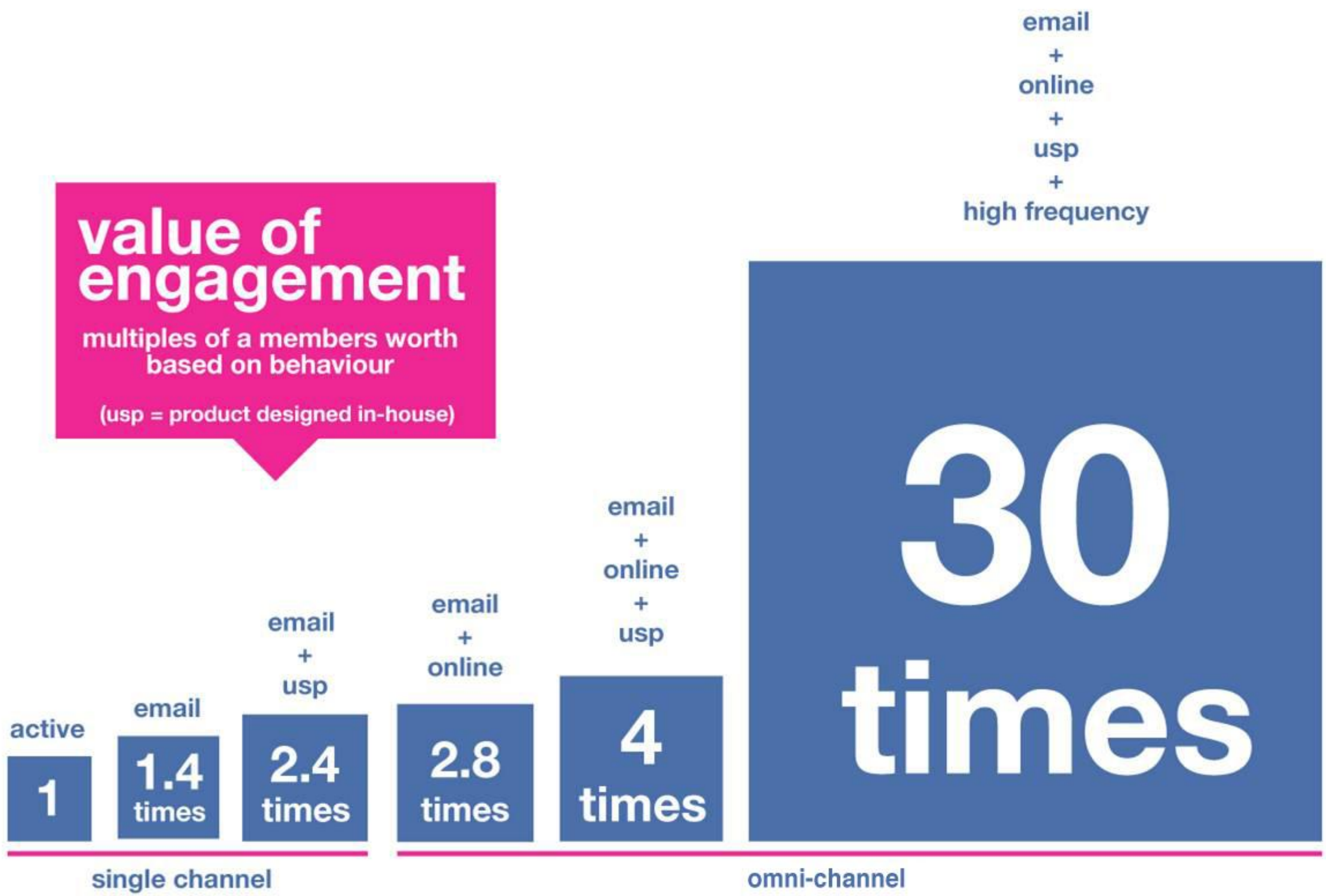
Our Omni Channel Assets



Leveraging Customer Insights & Engagement Across Multiple Channels



The Ultimate Goal: High Customer Engagement



The Market Challenges

Global retail

1 Year Ago	Now	Our Strategy
Significant increase in competition from global retailers entering Australia: Zara, Topshop, Asos	Continued growth of global brands' physical presence in Australian shopping centres due to success of new entrants	SFG to continue to explore new markets both locally and abroad (City Chic USA online).
Product differentiation more difficult	Australian consumers easily able to access international brands online with many sites now shipping to Australia at cheaper prices and minimal shipping costs. International online retailers are constraining local growth	Develop differentiated product designs at value prices through design led supply chain strategy.
	Strength of Aussie dollar making overseas purchases cheaper and more attractive	Continue to compete in the mature, plus size, value space where there is limited international competition.

The Market Challenges

Omni-channel retail

1 Year Ago	Now	Our Strategy
Local brands with physical store presence shifting their focus to an online offering to their customers	Most brands have an online presence with greater product range	Enhance and innovate omni-channel experience through continued advancement and investment in e-commerce and physical stores.
Many local brands online sites not sophisticated and shipping times are long	Improved online platforms, convenience, greater product range and a growth in mobile device functionalities are all fuelling the growth in online shopping	Delight our customers with short shipping times. Innovation and diversification of the customer offering including reinventing the physical store experience to engage customers.
Online only international competitors entering the market	Lower prices from international competitors with fast shipping times are shifting consumer spend abroad	Differentiating the product offering and leveraging our store network and customer membership database to capture online market share

The Market Challenges

China's economic development

1 Year Ago	Now	Our Strategy
Unprecedented product and labour cost inflation	Inflation eased, improved input cost prices	Use group economies of scale to negotiate lower product costs
	Strategic relationships established with smaller number of suppliers to secure factories loyalty	Further develop supplier loyalties to protect against increased demand pressures from competing countries. Increase mix of directly sourced product to 65% in FY13, ultimately 75% to 80%.
	70% of product sourced from China 30% of product sourced from Bangladesh	Continue exploration of other sourcing countries to diversify supply

Outlook

Gary Perlstein, CEO

Outlook

Business improvement

- Improvement in trading performance expected in FY13 principally driven by gross margin increase
- Continued focus on business improvements to support omni-channel strategy
- Development of brands' online stores:
  - Further investment in brands' online platforms to improve functionality
  - Continued progress in optimisation of new pick and pack facility
  - Focus on target to achieve significant growth of sales online
- Stylefix launched in July. Continue to build international relationships, source product, and build membership database
- Leveraging and continued advancement in CRM capabilities supporting new online opportunities and product offerings
- Innovation of supply chain and product design to continue
- Continue to pursue rental reductions
- Closure/exit of underperforming stores ongoing
- Take advantage of new store opportunities with attractive returns

Appendices

EBITDA Reconciliation

	FY12 $'000	FY11 $'000
Profit before tax	(3,301)	21,306
Interest expense	2,126	1,713
Interest revenue	(324)	(274)
EBIT	(1,499)	22,745
Depreciation (1)	23,240	18,326
EBITDA	21,741	41,071

(1) Deprecation includes an impairment charge of $2.8m in FY12 and $0.3 in FY11

Appendix 4E Reconciliation

Rental and employee benefits expense

	Rental expense $'000	Employee benefits expense $'000
FY11	106,222	138,722
Net movement in stores	322	69
Inflation	4,143	4,772
Stepped leases(1)	1,632	
Other year on year changes(2)	1,252	2,437
FY12	113,571	146,000

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

(2) Lease renewal savings, roster optimisation savings, reduction in employee bonuses and LTIP expenses, reduction in staff count offset by incremental rental and wage expenses in relation to new stores opened during FY11, increase in workers compensation insurance and increase in annual leave and long service leave provisions.

Store Movements

Full year ended 30 June 2012

	Stores 1July11	New	Closed	Stores 30 June12	Stores Aus	Stores NZ
Millers	377	3	(12)	368	341	27
Katies	147	5	(1)	151	151	-
Crossroads	159	11	(7)	163	163	-
Autograph	117	1	(3)	115	115	-
City Chic	77	3	(3)	77	63	14
La Senza	14	6	(1)	19	19	-
Total	891	29	(27)	893	852	41

Store and Other Capex

Full year ended 30 June 2012

	New stores FY12	Refurbs FY12	Total FY12
Millers	3	12	15
Katies	5	-	5
Crossroads	11	1	12
Autograph	1	1	2
City Chic	3	1	4
La Senza	6	-	6
Total	29	15	44

	FY12 $'000	FY11 $'000
New stores	8,063	12,817
Refurbishments	2,581	15,760
IT capex	3,587	4,351
Other capex	1,787	934
Total capex	16,028	33,862