

SPECIALTYFASHION | GROUP

24 June 2015

The Manager - Listings
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Via electronic lodgement

Dear Sir,

Please find attached a Site Tour Presentation from Specialty Fashion Group Limited, which is an update of the H1FY15 Investor Presentation presented to investors on 24 February 2015.

Yours faithfully

Specialty Fashion Group Limited

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Site Tour
Presentation
June 2015

SPECIALTYFASHION | GROUP

Millers crossroads *Katies*

AUTOGRAPH

city chic



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— AGENDA —

- 1 Our Purpose
- 2 Group Overview
- 3 Financial Snapshot
- 4 Growth Strategy
- 5 Millers
- 6 Rivers
- 7 Other Brands
- 8 Economic Conditions
- 9 Outlook
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Our Purpose



Our Purpose



DIFFERENTIATORS

Clear strategy for simultaneous growth of sales & margins

- Transformation of brands
- Existing business improvement initiatives
- Leverage considerable customer database
- Researched and measured international expansion

Financial strength: Strong balance sheet - investment in growth

- Reinvestment in the business despite weak retail landscape
- Material ongoing revenue levels

Clear set of corporate values & aspirations

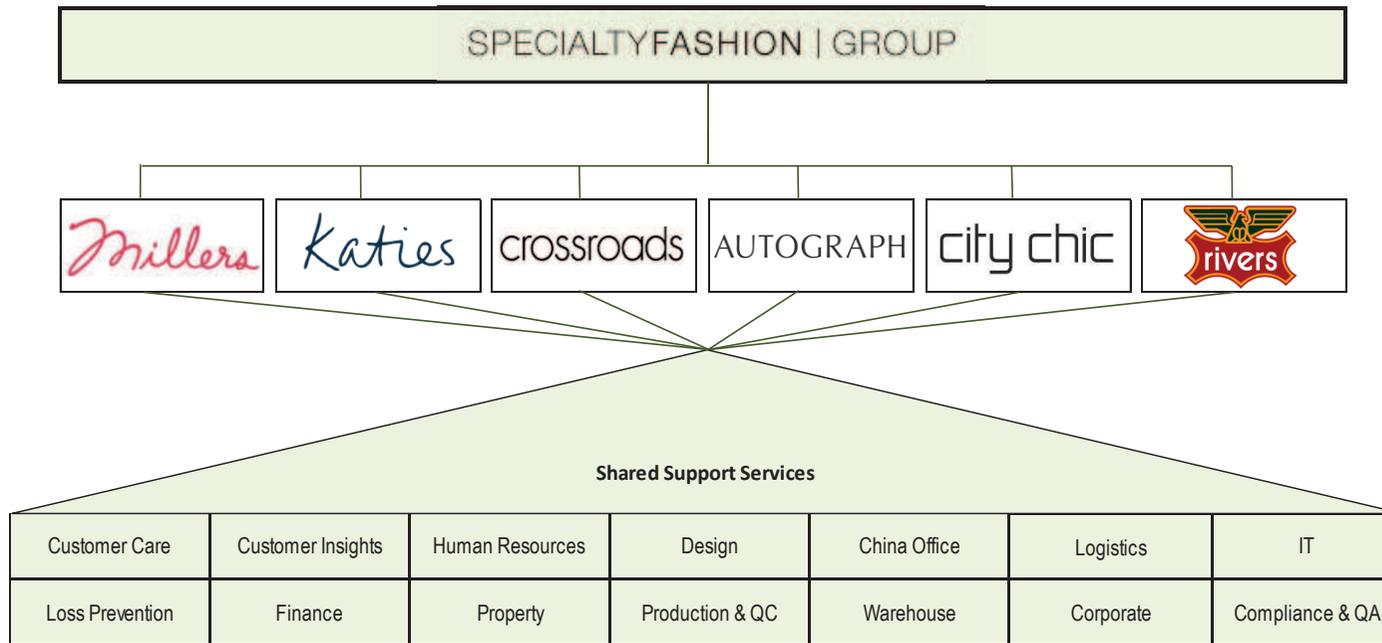
- SHIRT Values:
Service
Humility
Integrity
Respect
Trust
- Employer of choice in an environment of talent shortages
- Important in context of focus on retail sector following Bangladesh tragedy

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Group Overview



Group Overview | Organisational Structure and Shareholdings



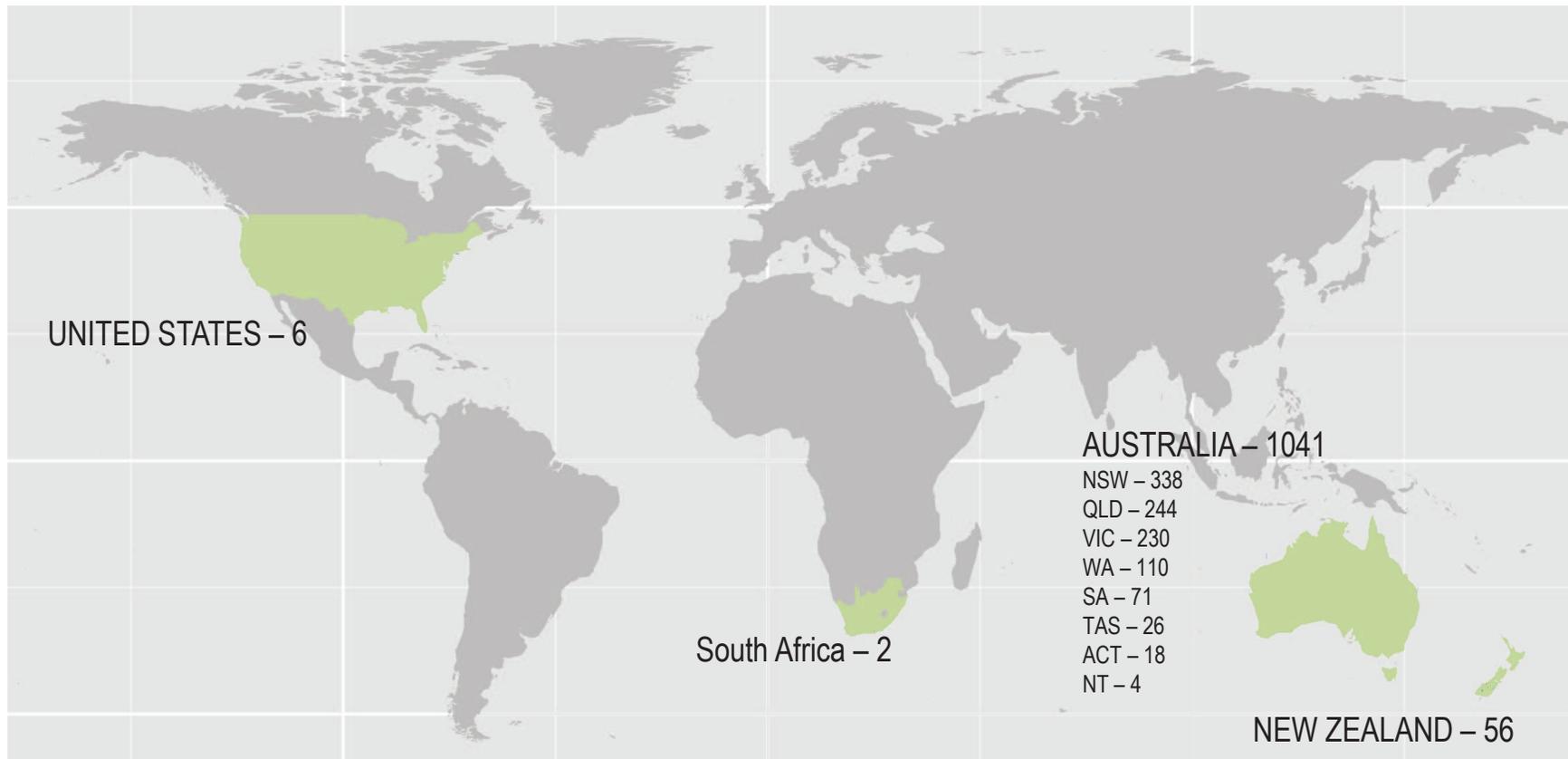
SUBSTANTIAL SHAREHOLDERS:

- | | | |
|----------------------------|-------|--------------------------------------|
| ○ Naah Pty Ltd: | 20.2% | • SHARE PRICE ¹ : A\$0.62 |
| ○ Lazard Asset Management | 11.3% | • SHARES ON ISSUE: 192.2M |
| ○ Gary Perlstein | 9.3% | • MARKET CAP: A\$119.2M |
| ○ Ian Miller | 7.6% | • TOP 20 SHAREHOLDERS: 79.9% |
| ○ Celeste Funds Management | 6.0% | |
| ○ Delta Lloyd NV | 6.3% | |
| ○ Renaissance Small Co | 5.1% | |

¹ As at 18 June 2015

Group Overview | Group Summary

- BRANDS: 6
- STORES: 1105
- STAFF NUMBERS:
 - 5300 approx in stores
 - 627 in support office
- COUNTRIES: 4



*As at 31 December14

Group Overview | Board Structure



GEOFF LEVY, AO

- Appointed as Director April 2005.
- Chairman of the company and a member of the Remuneration Committee.
- Geoff has over two decades of experience in the corporate advisory environment where he is regarded as an expert in mergers and acquisitions, capital raisings and general corporate commercial law. Geoff was appointed an Officer of the Order of Australia in the 2005 Queens Birthday Honours List.



GARY PERLSTEIN

- Appointed as Director 1995.
- CEO of the company since October 2003.
- Gary has played an integral role both in the establishment and growth of Specialty Fashion Group since it was founded in 1993. Gary has over 20 years of retailing experience in Australia.



IAN MILLER

- Appointed as an Executive Director from 1993 until January 2007.
- Moved to being a non-executive Director January 2007.
- Ian co-founded Specialty Fashion Group in 1993 and was Managing Director until October 2003. Ian has over 35 years of retailing experience.



ANNE MCDONALD

- Appointed as director April 2007.
- Independent non-executive director and Chair of the Audit Committee.
- Anne is a Chartered Accountant by training and was a partner with Ernst & Young for 15 years until 2005 working with large multinational and domestic companies, specialising in audit and advising on risk management and governance matters. During that time she served as a member of the Board of Ernst & Young Australia for seven years.



ASHLEY HARDWICK

- Appointed as Director May 2012.
- Non-executive Director.
- Ashley is a director and shareholder of the Cotton On Group and has over 20 years of retail experience. He also oversees the property function of the Cotton On Group.



MICHAEL HARDWICK

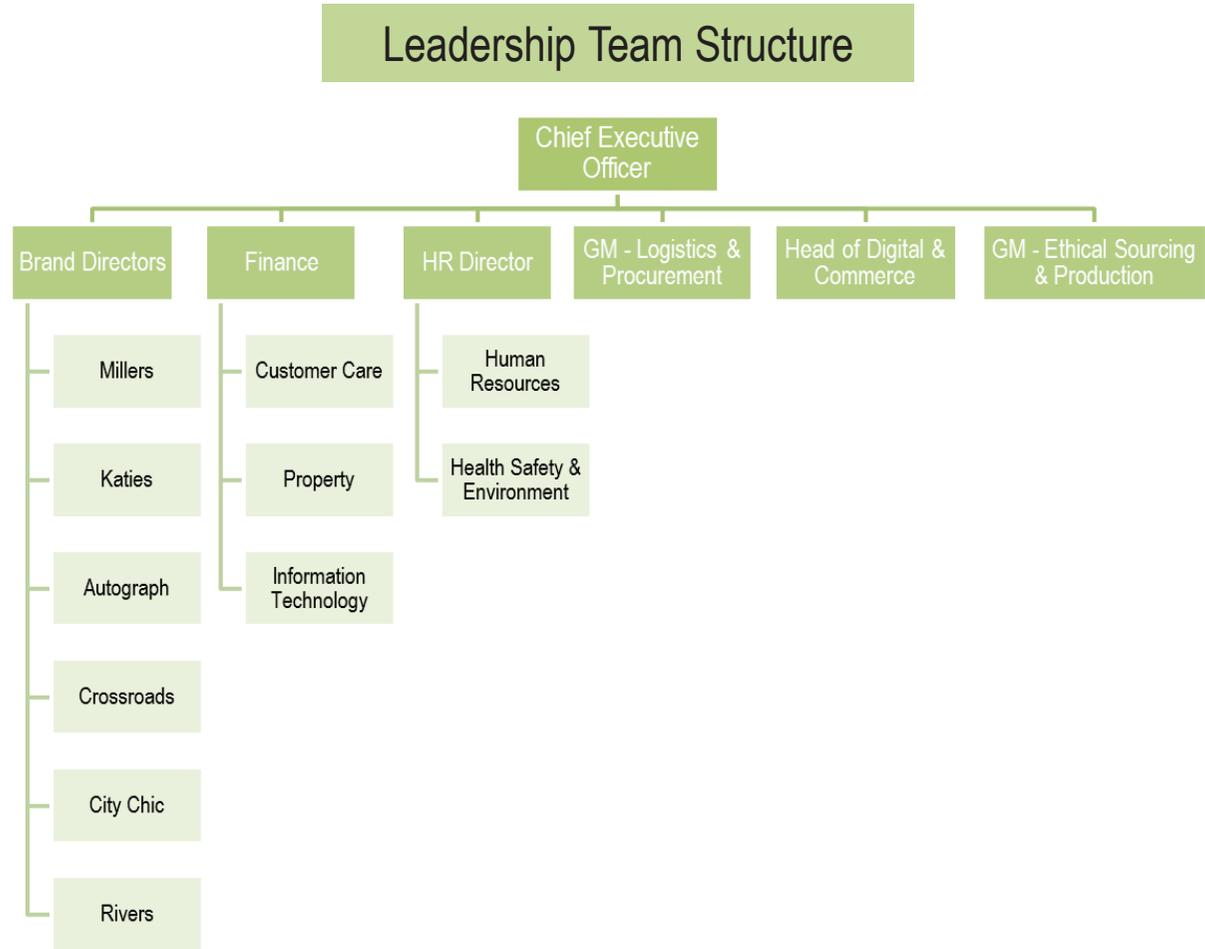
- Appointed as Director May 2012.
- Independent non-executive Director and member of the Audit Committee.
- Michael currently serves as the Chief Financial Officer of the Cotton On Group. Michael is a Chartered Accountant by training and has previously worked at PricewaterhouseCoopers in both Melbourne and New York in the transaction advisory practice.



MEGAN QUINN

- Appointed as Director October 2012.
- Independent non-executive Director.
- For the past 25 years, Megan has built a career specialising at the luxury end of retailing, advertising, publishing and design for the fashion, jewellery, hotel, airline and service industries. One of Megan's notable achievements was her being a co-founder of internationally acclaimed NET-A-PORTER in 1999.

Group Overview | Senior Management Structure



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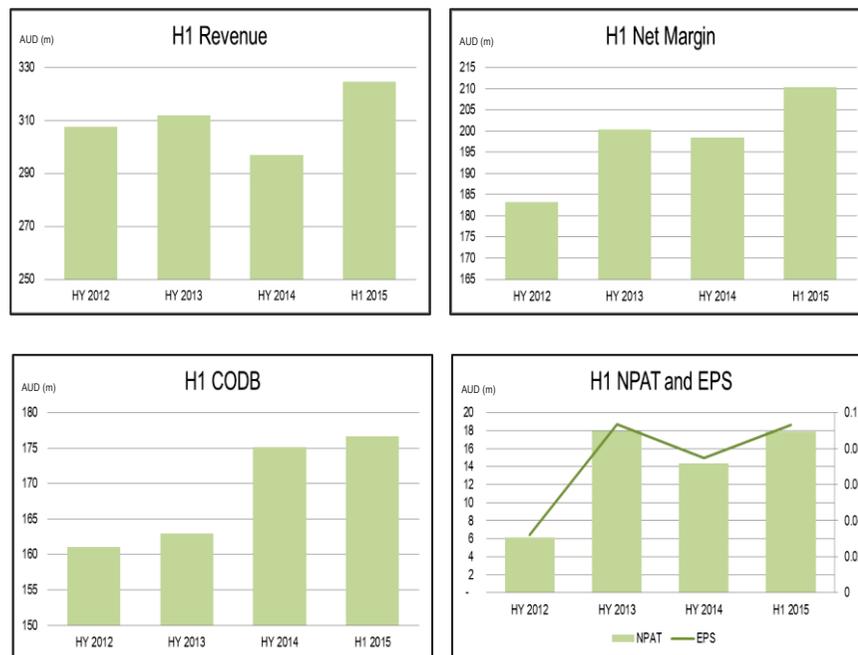
Financial Snapshot



Financial Snapshot | Summary

- Revenue growth steady FY12 – FY14, with a material uplift in FY15 reflecting the inclusion of Rivers in the group.
- Consistent net margin growth with uplift in FY15 for Rivers.
- CODB growth reflecting inflation and store growth overall. Store growth from 909 in December FY12 to 1105 in December FY15 (161 of which are Rivers).
- NPAT diminished by the effect of Rivers in H1 FY15, without which there would have been a 24.4% improvement on FY14.

RESULTS EXCLUDING RIVERS



RESULTS INCLUDING RIVERS



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Growth Strategy



Growth Strategy| Three Pillars

- **Millers brand rejuvenation has already had a positive impact. Since start of 2014**
 - Positive Comparative Sales Growth
 - Higher margins
- **Rivers integration and transformation progressing:**
 - Inventory management
 - Promotion/marketing
 - Brand experience
- **Researched and measured expansion into new markets beyond Australia for select brands.**
 - 6 City Chic stores in USA
 - 2 City Chic stores in South Africa



Business Overview | Enhanced Customer Engagement

Omni-channel operations

- 73.2% growth in online to \$24.6m for the period (PCP \$14.2m), 6% of total revenue.
- The successful introduction of “click & collect” to all stores contributed to this growth.
- 24 new stores and 24 closures, 1105 stores in total at end of December 14.
- International expansion saw the opening of 6 new stores in the USA during the first half of FY15.



Leveraging customer relationship management capabilities

- Dedicated in-house customer insights team and CRM platform continued to drive positive results.
- Total customer membership database has grown to 8 million as at 31 December 14.
- Email valid customer membership has grown to 3.7 million as at 31 December 14.
- Focus for FY15 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 63.3%) achieved for the period (62.6% excluding Rivers), 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 14 to 89% in December 14.
- During the period 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

- A significant focus on cost reduction has been initiated to reduce overall CODB and drive budgeted EBITDA.
- 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

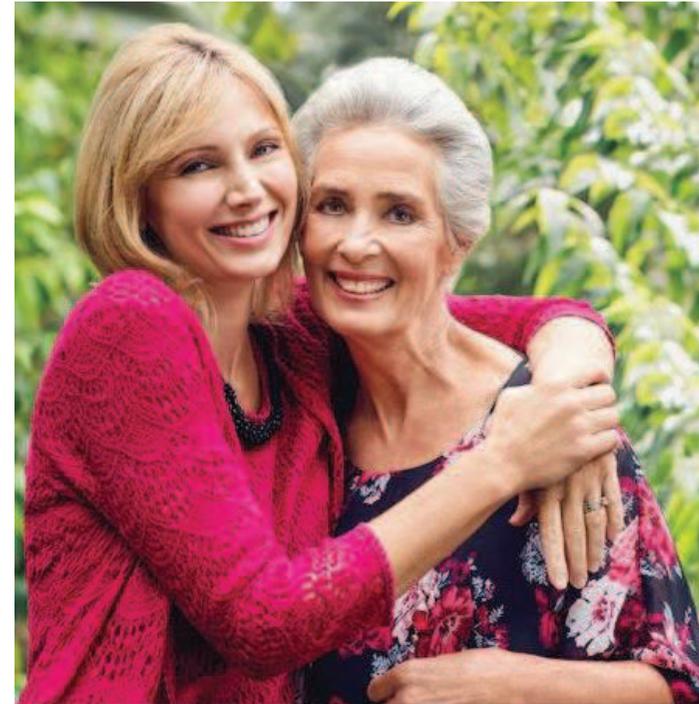
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Millers



Millers | Overview

- Brand established in 1993
- Australia's largest women's apparel retailer
- 357 stores across Australia (330) and New Zealand (27) and a growing online store
- 84% Centre and 16% Street locations
- Average store size is 200 m²
- Trading over 71,000 m² in total
- Total customer database over 3m with active customers at 1.7m
- Team members approx 1850



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

Millers
WOMAN



Millers | Case Study

MILLERS BRAND REJUVENATION

BRAND CAMPAIGN

Deeper understanding of the brand's customer and target market - Millers' DNA
Focus on age relevant expanded ranges, improved quality and affordable products

PRICING

% CHANGE	2013	2015
Profit per unit		24%
ACS		12%
Markdown Gross		-11.9%

Reduction of cost prices through improved buying base and stock optimisation

Less markdown and discount activity

Improved value first ticket price to rebuild customer trust

Focused promotions moving away from discounts

MULTICHANNEL GROWTH

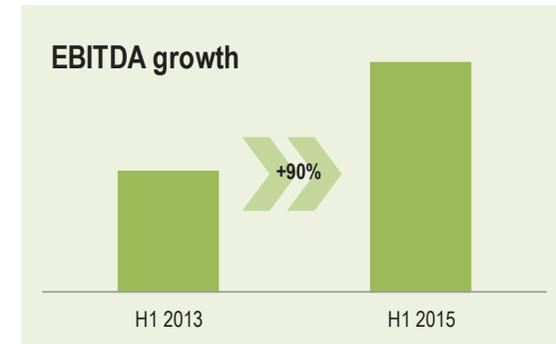
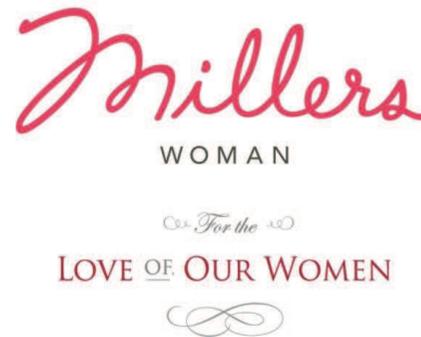
Focus on acquisition of loyal customers with revised loyalty scheme

Building brand loyalty through exclusive member offers

Click & Collect launched in H1 FY15

	2013	2015
Online Sales growth		141%
Online as % of Sales		1%
Traffic		53%

Bankstown refurbishment
Before & After



STORE RENOVATIONS

Refurbishments to reflect new brand campaign

Attracting new customers

Improved customer service initiative

Re-fit Store performance

Sales uplift/store up to	30%
Margin uplift/store up to	49%



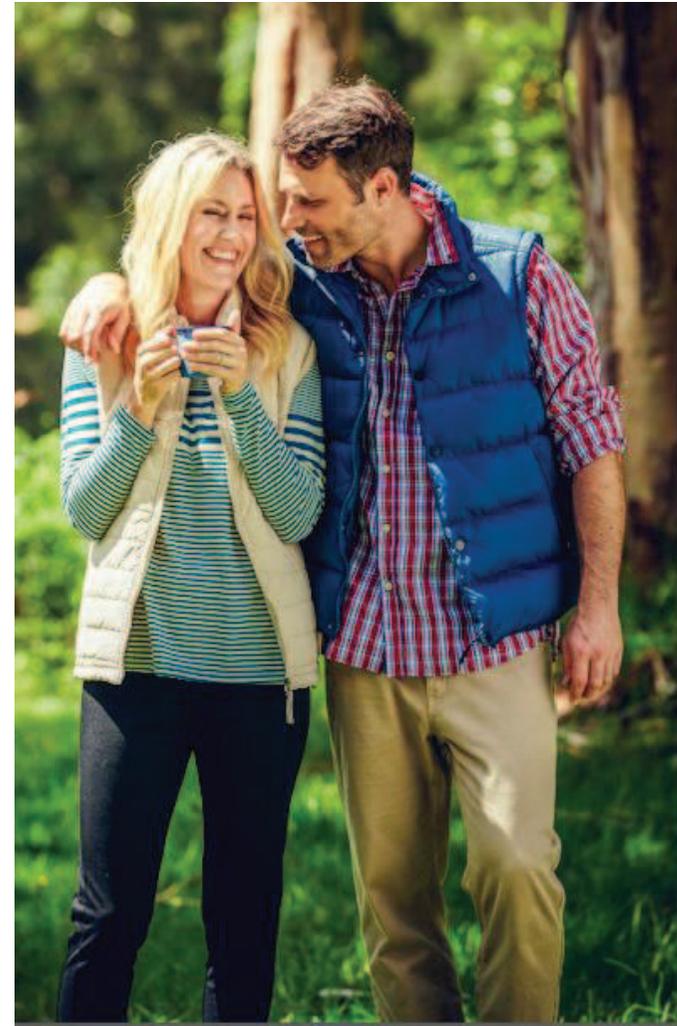
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Rivers



Rivers | Overview

- Rivers brand established in 1995
- A quality value clothing and footwear retailer for men and women
- Acquired in November 2013, in a distressed state – required investment to improve brand and restore profitability
- 160 stores across Australia and Online
- Location type: Destination, DFO, Street, and secondary centre
- Average store size 666 m²
- Trading over 101,853 m² in total
- Team members approx 925



Rivers | Transformation

- Rivers performance significantly impacted by legacy issues which are being addressed as 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:
 - Product Management;
 - Staffing;
 - Marketing;
 - Supply Chain Management;
 - Store Performance.



Rivers | Transformation

RIVERS KEY FOCUS AREAS

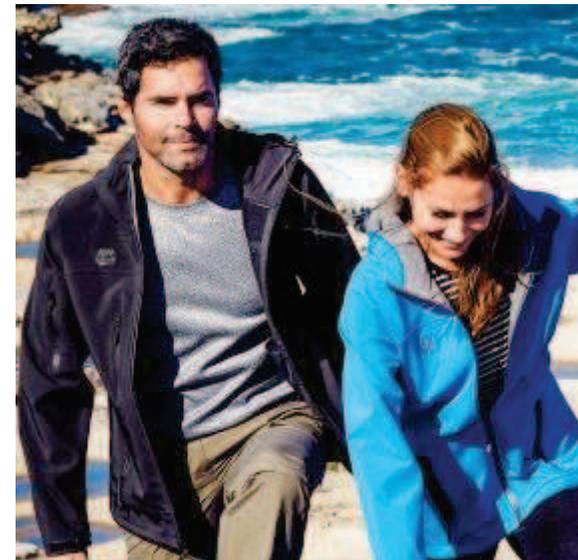
i. Product Management

- Excessive levels of inventory inherited on acquisition have all but been cleared 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 had a negative impact on the Group's margins, it will provide for a more positive long term outcome for Rivers.
- New processes in place to overcome legacy issues relating to inventory purchasing and critical path management.
- We are now experiencing positive customer response to our new ranges relaunched under the Group's full control and influence.



ii. Staffing

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



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 data base system and integrate legacy systems.
- A key focus has been to clean up the data base, 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.

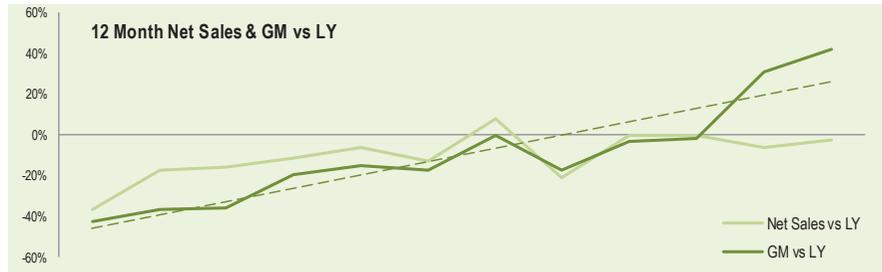
Rivers | Case Study

RIVERS TRANSFORMATION



PRODUCT MANAGEMENT

Products are being aligned to customer profile research
 85% of vendor base modified to improve costs, quality and lead times
 10-17% cost improvement on comparable products through direct sourcing by leveraging from the Group



eCOMMERCE

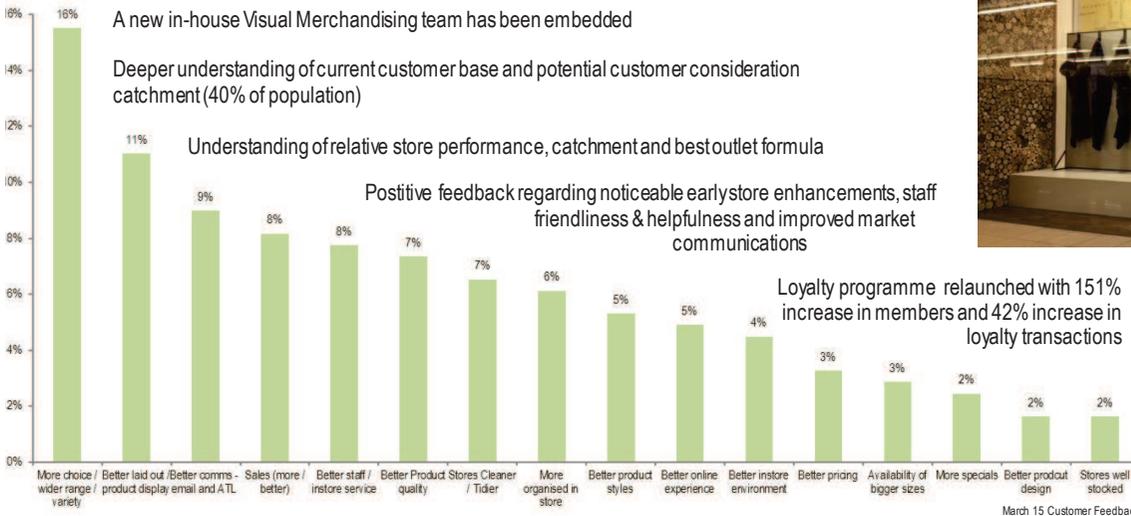
Improved website and content navigation to enhance online experience
 Launch of digital catalogue
 Revised eDM strategy
 Migration to new eCommerce platform in H1 FY16

	2014	2015
Online sales as % of Total Sales	2.9%	3.5%
Online sales growth	21%	

NEW STORE CONCEPT



RETAIL OPERATION - MARKETING



New store design to reflect authentic Australian roots

Stores to be refurbished and outlets refitted on a need to do basis

Optimum outlet size and potential disposal list established

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Other Brands



Other Brands | City Chic

- Brand acquired in 2006
- City Chic is a leading global plus size fashion destination for sizes 14+
- 106 stores across Australia (86), New Zealand (12), South Africa (2) and USA (6) and exponential growth online
- Location type – predominately urban centres
- Average store size 110m²
- Trading over 27,000 m² in total
- Total customer database over 500k
- Team members approx 550

city chic

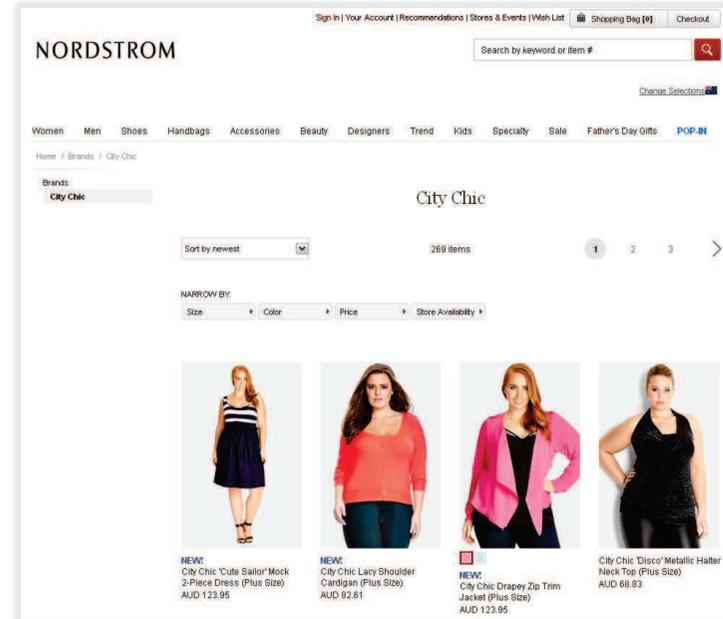


Other Brands | City Chic

EXPANSION INTO USA & 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.

city chic



Other Brands | Autograph

- Business established in 1991
- Specialises in stylish yet affordable women's fashion in sizes 14 to 26
- 143 stores across Australia (135) and New Zealand (8)
- Location type – Covers all major states across Australia & North Island of New Zealand
- Average store size is 120 m²
- Trading over 17,000 m² in total
- Total customer database over 1m
- Team members approx 700

AUTOGRAPH



Other Brands | Katies

- Brand established in 1954
- Offering ever versatile and desirable, value based fashion for the ageless and feminine woman. Clothing ranges from size 8 to 20
- 154 stores across Australia and a growing online store
- Location type – predominately in suburban & regional centres
- Average store size is 160 m²
- Trading over 24,500 m² in total
- Total customer database over 1.9m
- Team members approx 775

Katies



Other Brands | Crossroads

- Brand established in 2000
- The 'corner store for fashion' with a unique brand position providing up-to-date styles for women at varying stages in her life, catering for sizes 8 to 22
- 185 stores across Australia (176) and New Zealand (8)
- Location type – Regional and local suburban locations
- Average store size is 120 m²
- Trading over 21,500 m² in total
- Total customer database over 2m
- Team members approx 630

crossroads



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Economic conditions



Business overview | Economic climate

Economic and political uncertainties

- The impact of geopolitical environment, decreases in commodity prices and the weaker Australian dollar have resulted in continued uncertainty.
- Interest rates remaining at an all time low of 2% is providing some relief to consumers, fuelling an upward momentum in the housing market (especially in NSW), but no signs of material increased discretionary spend in the specialty fashion market.
- Lower petrol prices.

Aussie dollar

- International economic environment weighing down on Aussie dollar performance.
- Average USD hedge rate of \$0.90 achieved for the period (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.
- China wage inflation ongoing.
- Expect growth in sourcing from countries such as Bangladesh, India and Vietnam.

Industry Trends

- Continued growth of online shopping resulting in a higher demand for unique products and brands from a more price aware customer.
- Ongoing integration of shopping channels between bricks and mortar, online and mobile as the market recalibrates to a multichannel offering, requiring ongoing investment in IT capability.

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Outlook



Outlook | Growth in the future

- The Group has performed within expectations since the start of the second half of FY15.
- The key focus areas for the second half of FY15 have been:
 - 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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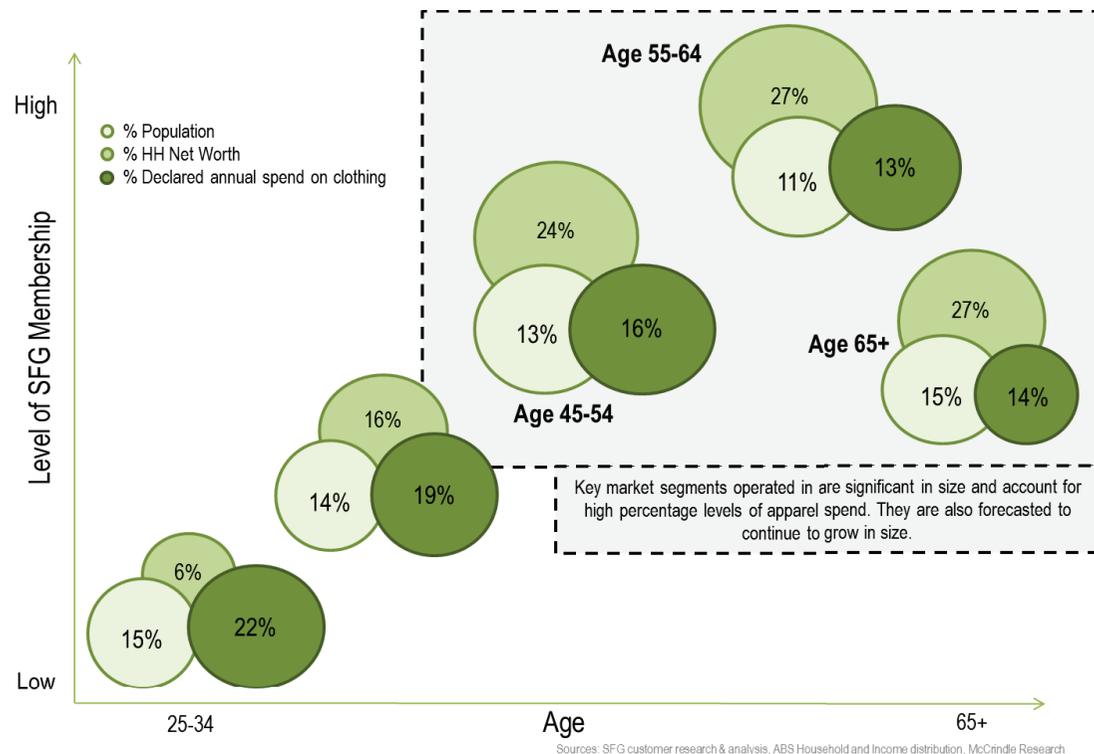
Customer Insights



Customer Insights | Market trends – changing Australia

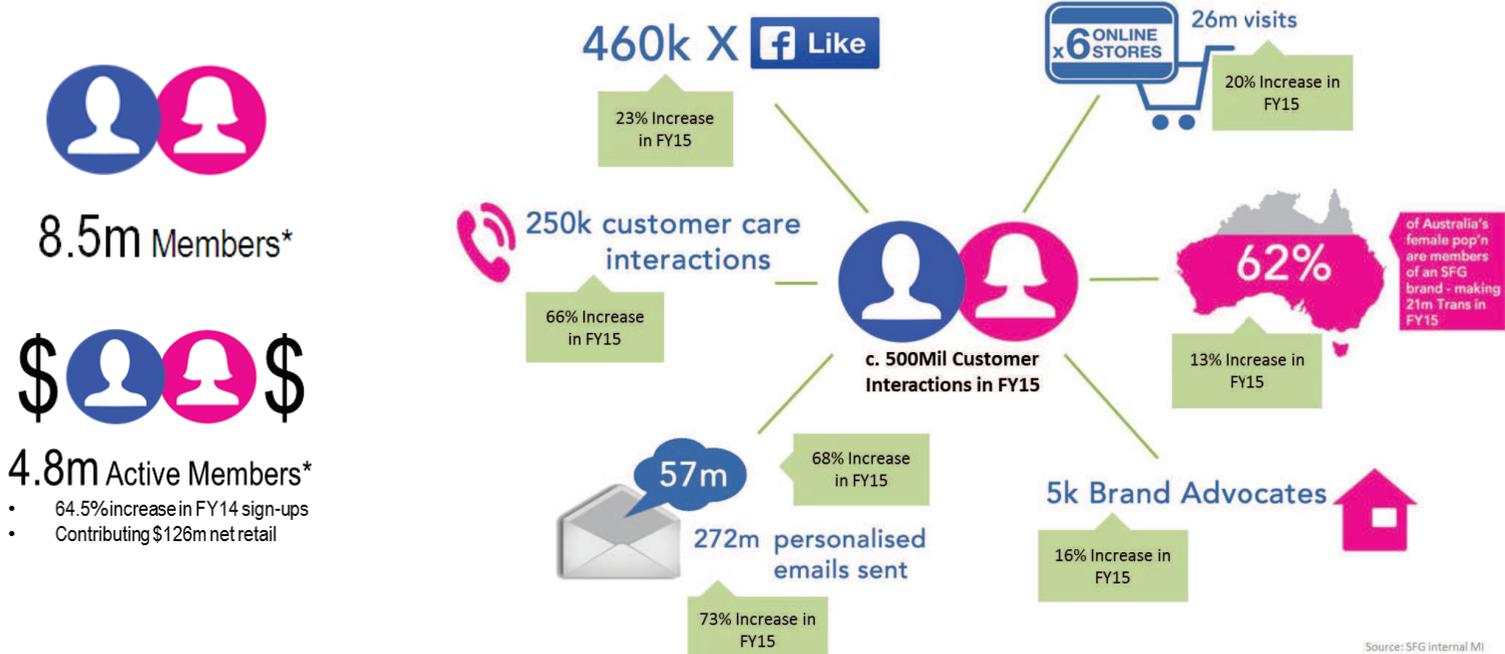
A number of macro and emerging social trends are driving change in Australian and the retail environment

- **We are well positioned in the right market sector with an aging population demographic** - by 2020, almost 1 in 5 Australians will be aged over 60.
- The Australian population is increasing at the rate of roughly one person every minute and a half.
- Migrants accounted for 60% of Australia’s population growth as at March 2015, challenging traditional Australian values and identity – we must ensure we meet the needs of changing customers in all aspects of our brands.
- **Always connected** - Australian consumers are always on:
 - Over half of Australians now have access to a tablet and 30% use three devices – tablet, smartphone & laptop.
 - 76% of internet users are purchasing goods or services online.
 - 57% of 56-65 year-olds and 67% of 46-55 year-olds are active on Facebook.
- **Quality over quantity** - aspirational middle class is spending on experience, rather than ‘stuff’ – there is a real opportunity for value retailers to attract new middle class customers by giving them ‘permission to shop’.



Sources: ABS, IPSOS, CEPAR - Centre for Excellence in Population Ageing , ABS Survey of personal internet usage (2012 – 2013), Department of Immigration and Citizenship (2012)

Customer Insights | Increasing Customer Engagement



We are a broad community attracting many types of customers – they are more likely to be...

Flourishing Families	Aspiring Communities	Stretched Society
<ul style="list-style-type: none"> • Affluent family households • Above average presence of children • Suburban locations • High owner occupation in large detached properties • Mixed occupations • High car ownership • Above average internet usage • High likelihood of payment by cash or credit card • Average further educational attainment 	<ul style="list-style-type: none"> • Comprises Young Singles, families a retirees • Average number of children • City and country locations • Suburban lifestyle or countryside living • Modest incomes – good mixture of skilled and un-skilled jobs • Money is saved for special occasions • Slowly growing internet usage • Agricultural • High use of mail order amongst older generations • Richer in time than in money 	<ul style="list-style-type: none"> • United by common struggle to overcome economic adversity • Unemployment is high • Cheap accommodation but varied in location/tenure • Physically demanding jobs but many approaching retirement • Well below national average mortgage payments as well as insurance and pensions • Use of public transport is high although some own a car and may use for transport to work • Low internet use but high TV, radio and magazine persuasion 

* As at 10th June 2015
Source: SFG customer database

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Ethical Trade



Ethical Trade | Responsible Sourcing Policies

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

KEY MILESTONES

- Established a Social Audit program for all our offshore factories
- Social Audits on our Vendors - Focus on Wash houses / Laundries
- Testing programs for dangerous or banned chemicals in the manufacturing of product
- Integrated Rivers into the SFG vendor base (apparel), production and QC process

Achieved Pass rating in the Australian Fashion report (16 April 2015) – “The Truth Behind the Barcode”

Overall Grade:	
Policies	Pass
Traceability & Transparency	Pass
Monitoring & Training	Pass
Worker Rights Grade	Pass
Overall Grade:	C

KEY: ■ yes ■ partial ■ no

Total Grade: **A B C D F**

VOLUME BY REGION

- China - 67%
- Bangladesh - 25%
- India - 6%
- Other - 2%

SOURCING

- Direct Sourcing - 88%
- Local Agents - 12%

SOURCING

- We pledge to ban the use of cotton originating from Uzbekistan.
- We have banned the use of sandblasting in our denim manufacturing.
- We strive to ensure no animal cruelty is suffered at the hands of our manufacturing process:
 - Banned the used of angora fibre
 - Down or feather lined products originate from safe, humane and sustainable farming practices

BANGLADESH ACCORD

A member since July 2013

FY15 focus – remediation of factory fire and building safety conditions.

FY16 focus – educating the factory workers on their rights.

Our ongoing focus - communicate, train and help the workers develop safety committees in line with international labour standards.

We feature in the Oxfam “Nice” list as a recognised signatory of the ACCORD

NAUGHTY **NICE**

ON THE BANGLADESH WORKER SAFETY ACCORD

These companies have refused to sign the Bangladesh Accord, which means that we don't know how they're treating their workers. These companies have also not published their supplier locations which mean their ethical sourcing claims cannot be verified.

Specialty Fashion Group, that own
Katies, Millers, Autograph, Crossroads, City Chic & Rivers

These companies have taken an important step by signing to the legally-binding Bangladesh Accord.

OXFAM
Australia



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Appendix 1 Financial analysis



Group trading | H1 FY15 Income Statement

- 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.



	H1 FY15 \$'000	H1 FY14 \$'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 trading | H1 FY15 Cashflow Statement



	H1 FY15 \$'000	H1 FY14 \$'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).

Millers crossroads *Katies* AUTOGRAPH city chic

