

**ASX Code: SFH    Price: \$1.205    12 Mth Target Price: \$1.30    Rating: Buy**

### Business Summary

Specialty Fashion Group Limited (SFH) is a specialty fashion multi-branded women's apparel retailer and brand owner. SFH operates under the brand name Millers, Katies, Crossroads, Autograph, City Chic, Rivers. SFHs physical store portfolio comprised 1,043 sites including the 14 concession locations in Myer at 30 June 2017.

**Millers:** Millers offers comfortable style with a focus on versatile outfit building. Millers have over 350 stores nationally, a further 28 stores in New Zealand and a growing online store.

**Katies:** Katies brand is contemporary fashion. Katies has 154 stores in AUS.

**Crossroads:** Crossroads is Australia's brand for fashion in sizes 8 to 22. Crossroads has over 176 stores in Australia and 9 stores in New Zealand.

**Autograph:** Autograph offers fashion in sizes 14 to 26 for an occasion that is feminine, flattering and fun. Autograph has 135 stores across Australia and 8 stores in New Zealand.

**City Chic:** The brand designed for plus size women size 14+ who are Bold, Sexy and Glam & Chic. City Chic 86 stores across Australia, 12 stores in New Zealand, 6 Stores in USA and 2 stores in South Africa.

**Rivers:** Rivers is an Australian company engaged in apparel and accessories, with 160 stores across Australia. Rivers offer Men's, Women's and Children's Clothing and Footwear.

### Latest Research

#### Resetting The Business And Balance Sheet – FY18 Result

Buy rating — Specialty Fashion Group reported FY18 EBITDA of \$19.9 million and a net cash position. Compared with 12 months ago, the entire business has been reset and in much better shape. We expect good sales momentum to continue. Given a better than expected 2H18 result, the balance sheet position is even stronger. Capital management may be a catalyst for a further re-rate in the stock. We retain our Buy with a revised target price of \$1.30 per share.

For more information see research 29 Aug 2018.

### Snapshot

Date	27 November 2018
Market Cap.	\$232m
Shares on issue	192.2m
12 Month High	\$1.46
12 Month Low	\$0.10

### Rating

Rating	Buy
12 Mth Target Price	\$1.30
Capital Gain	NA%
Gross Yield	NA%
Implied Total Return	NA%

### Investment Fundamentals

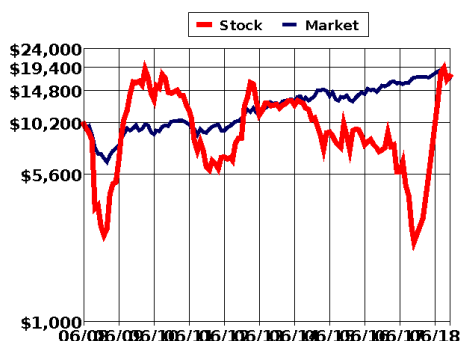
FYE 30 Jun		2018A	2019F	2020F	2021F
Profit	\$m	16.0	15.0	16.0	18.0
Profit (norm)*	\$m	16.0	15.0	16.0	18.0
EPS*	¢	8.0	8.0	9.0	10.0
EPS Growth	%	700.0	0.0	12.5	11.1
P/E*	x	0.0	0.0	0.0	0.0
P/E Relative	%	0.0	0.0	0.0	0.0
DPS	¢	0.0	4.0	5.0	7.0
Yield	%	0.0	0.0	0.0	0.0
Franking	%	0.0	63.0	100.0	100.0

\* Adjusted for goodwill and unusual items  
Source: Based on Citi estimates

### Share Price Chart



### Total Return on \$10,000 Investment



**Important Disclaimer** - This may affect your legal rights: Because this document has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives, a Bell Potter Securities Limited investment adviser (or the financial services licensee, or the proper authority of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be consulted before any investment decision is made. While this document is based on the information from sources which are considered reliable, Bell Potter Securities Limited, its directors, employees and consultants do not represent, warrant or guarantee, expressly or impliedly, that the information contained in this document is complete or accurate. Nor does Bell Potter Securities Limited accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect any of the information contained in this document. This document is a private communication to clients and is not intended for public circulation or for the use of any third party, without the prior approval of Bell Potter Securities Limited. This is general investment advice only and does not constitute advice to any person.

**Disclosure of Interest:** Bell Potter Securities Limited receives commission from dealing in securities and its authorised representatives, or introducers of business, may directly share in this commission. Bell Potter Securities and its associates may hold shares in the companies recommended.

Profit & Loss (\$M)					
	2014A	2015A	2016A	2017A	2018A
<b>Sales Revenue</b>	<b>683</b>	<b>790</b>	<b>825</b>	<b>808</b>	<b>132</b>
Total Revenue ex. Int.	712	791	826	809	132
<b>EBITDA</b>	<b>39</b>	<b>20</b>	<b>25</b>	<b>20</b>	<b>19</b>
Depreciation & Amort.	-21	-20	-21	-21	-4
Goodwill Amortisation	--	--	--	--	--
EBIT	18	-0	4	-1	15
Net Interest	-2	-4	-3	-2	-2
Profit Before Tax	16	-4	1	-3	13
Income Tax	-4	0	-1	-2	3
Outside Equity Int.	--	--	--	--	--
<b>Profit after Tax</b>	<b>12</b>	<b>-4</b>	<b>0</b>	<b>-5</b>	<b>-7</b>
Significant Items after Tax	--	-1	-2	-4	-2
<b>Reported Profit after Tax</b>	<b>12</b>	<b>-4</b>	<b>-2</b>	<b>-8</b>	<b>-9</b>
Preferred Dividends	--	--	--	--	--

Cash Flow (\$M)					
	2014A	2015A	2016A	2017A	2018A
Receipts from Customers	754	871	909	889	831
Funds from Operations	6	17	34	23	39
<b>Net Operating Cashflow</b>	<b>4</b>	<b>5</b>	<b>31</b>	<b>21</b>	<b>39</b>
Capex	-21	-13	-16	-16	-16
Acquisitions & Investments	-4	--	--	--	--
Sale of Invest. & Subsid.	--	--	--	--	--
<b>Net Investing Cashflow</b>	<b>-23</b>	<b>-13</b>	<b>-16</b>	<b>-16</b>	<b>-15</b>
Proceeds from Issues	--	--	--	--	--
Dividends Paid	-8	-4	--	--	--
<b>Net Financing Cashflow</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>	<b>-7</b>	<b>-13</b>
Net Increase Cash	-21	-10	12	-2	11
Cash at Beginning	39	17	7	19	17
Exchange Rate Adjust.	--	--	--	--	--
<b>Cash at End</b>	<b>17</b>	<b>7</b>	<b>19</b>	<b>17</b>	<b>29</b>

Ratios and Substantial Shareholders						
	2014A	2015A	2016A	2017A	2018A	
<b>Profitability Ratios</b>						
EBITDA Margin	%	5.74	2.56	3.03	2.51	14.24
EBIT Margin	%	2.63	-0.02	0.49	-0.09	11.31
Net Profit Margin	%	1.83	-0.48	0.03	-0.59	12.76
Return on Equity	%	18.74	-5.75	0.51	-10.87	45.37
Return on Assets	%	6.21	-0.51	1.16	-1.60	9.15
<b>Debt/Safety Ratios</b>						
Net Debt/Equity	%	25.46	42.73	23.92	18.79	-43.31
Interest Cover	x	10.86	-0.04	1.30	-0.35	9.55
<b>Top 5 Substantial Shareholders</b>						
NAAH Pty Ltd <NAAH Unit Trust>					20.7%	
Gary Perlstein and associated entities					9.3%	
Wilson Asset Management Group					9.1%	
QVG Capital Pty Ltd					7.1%	
Miller, Arnold Ian					7.0%	

Balance Sheet (\$M)					
	2014A	2015A	2016A	2017A	2018A
Cash & Equivalent	17	7	19	17	29
Receivables	4	6	6	6	3
Inventories	90	89	89	91	16
Other Current Assets	4	12	5	3	126
<b>Current Assets</b>	<b>116</b>	<b>115</b>	<b>118</b>	<b>117</b>	<b>174</b>
Prop. Plant & Equipment	84	79	74	57	7
Intangibles	19	19	21	23	10
Other Non-Current Assets	4	12	5	3	126
<b>Non-Current Assets</b>	<b>109</b>	<b>102</b>	<b>103</b>	<b>85</b>	<b>22</b>
Total Assets	224	216	221	203	196
Interest Bearing Debt	34	35	32	26	13
Other Liabilities	124	116	133	133	146
<b>Total Liabilities</b>	<b>158</b>	<b>151</b>	<b>165</b>	<b>158</b>	<b>159</b>
Net Assets	67	65	56	44	37
Share Capital	134	134	134	134	49
Reserves	-2	5	-3	-3	-1
Retained Earnings	-66	-74	-76	-87	-11
Outside Equity Int.	--	--	--	--	--
<b>Total Shareholders Equity</b>	<b>67</b>	<b>65</b>	<b>56</b>	<b>44</b>	<b>37</b>



Principals & Directors	
<b>Principals</b>	
<b>Directors</b>	

To access further Research or for information regarding our recommendations and ratings please see [www.bellpotter.com.au](http://www.bellpotter.com.au)

© 2018 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any Morningstar ratings/recommendations contained in this report are based on the full research report available from Morningstar or your adviser. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at [www.morningstar.com.au/s/fsg.pdf](http://www.morningstar.com.au/s/fsg.pdf). You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser. Some material is copyright and published under licence from ASX Operations Pty Ltd ACN 004 523 782.