city chic collective

ASX Announcement

27 February 2023

City Chic Collective Limited 1H FY23 Results

- Sales Revenue of $168.6m, down 8% on 1H FY22[1], cycling strong PCP; up 38% on 1H FY21
- Global active customer base up 1.2% to 1.33m; up 66% on 1H FY21
- Global customer website traffic up 7% across all regions to 76.7m visits[2]
- Underlying operational EBITDA[3] loss of $3.4m pre-AASB-16 (pre additional provision)
- Statutory NPAT loss of $27.2m including an additional inventory provision of $19.6m primarily in EMEA
- Pre additional provision inventory balance of $163m at 1 January 2023 down $32.7m
- Financial year-end inventory target is adjusted for additional provision and is on track for $105m-$115m
- Net Debt $13.4m[4] with an expected positive net cash position by financial year-end
- Strategic initiatives underway targeting historical margins and to deliver sustainable profitable growth

City Chic Collective Limited (ASX: CCX) ("City Chic", or the "Group") today released its financial results for the 26 weeks ended 1 January 2023 ("1H FY23"), reflecting challenging economic conditions which has impacted demand globally.

Phil Ryan, Chief Executive Officer and Managing Director of City Chic said:

"City Chic has had a challenging first half across our key markets as consumer demand contracted, particularly in the USA and Europe. In Australia, revenue was down slightly as lower online sales more than offset strong growth in stores as customers returned to in-store shopping.

"The connection we have with our loyal customers is as strong as ever, with returning customer numbers improving and total customer numbers steady over the last 12 months. I remain confident in our unique offering across our brands. We made good progress on our planned inventory reduction program and remain on track to being net cash positive by the financial year-end.

"Margins were impacted by promotional activity and input logistics and fulfilment costs from reduced basket sizes and inflation-driven cost increases. We are targeting getting the business

[1] Prior year revenue numbers have been restated to include freight income consistent with the reclassification made at year end FY22.
[2] Traffic to online excludes traffic to online marketplaces.
[3] The underlying operational EBITDA pre AASB16 is before additional inventory provision of $19.6m, the underlying EBITDA post this additional provision is a loss of $23.1m. Underlying earnings excludes non-recurring costs of $1.2m (strategic logistics review of $0.6m, costs related to acquisition opportunities being considered that did not materialise of $0.4m and other costs of $0.2m)
[4] Post the trading update on 20 January 2023, net debt was adjusted to reclassify cash in transit relating to buy now pay later arrangements to receivables.

back to historical margins and combatting cost inflation, while right-sizing our operational footprint to support future growth. We are confident these initiatives will get us back to a position of delivering sustainable, profitable growth over the medium term."

1H FY23 Results Review

Global revenues were down 8%[5] to $168.6m, against a strong prior corresponding period (PCP). Demand was volatile across each of the Group's markets, with promotional activity required to drive demand impacting gross margins, especially in the Americas and EMEA.

- ANZ: Revenue was $79.5m, down 3% on PCP but up 11% on 1H FY21. Stores were up 27% and online down 19% on PCP which reflected some store closures and strong COVID-related online trade.
- Americas: Revenue was $68.9m, down 14% on PCP which saw very strong results, but up 36% on FY21. Avenue, one of City Chic's mid to lower market brands, was most impacted by weaker consumer demand. The City Chic brand's growth was also softer towards the end of 1H as better dressing slowed.
- EMEA: Revenue was $20.2m, down 4% on PCP. Evans grew on a constant currency basis in a challenging economic environment albeit at a lower rate than anticipated.
- Partners: Delivered strong growth, with revenue across all regions of $17.3m, up 111%.
- Online: Revenue was down 21%, as demand was impacted by economic headwinds, return to physical stores and post-pandemic shopping patterns.

Underlying operational EBITDA (pre-AASB16)[6] was ($3.4m) in line with the January trading update. Underlying EBITDA (pre-AASB16) was ($23.1m), down from $23.5m in 1H FY22. This reflects an additional $19.6m provision taken against inventory predominantly in EMEA, due to duplicate logistics and duty costs for inventory to be moved to ANZ and the Americas as part of the rebalancing of inventory, warehouse consolidations in the Northern Hemisphere, and slow moving categories in EMEA. Underlying EBITDA (post AASB-16) was ($17.8m), down from $27.6m in 1H FY22.

City Chic reduced its inventory as at 1 January 2023 by $32.7m to $163m since the beginning of FY23 in line with its updated guidance provided on 20 January 2023. Post the additional provision its inventory balance at the end of 1H FY23 was $144m, with the equivalent year-end adjusted target of $105m-115m remaining on track as it continues to sell through seasonal stock and reduce forward orders.

As at 1 January 2023, the Group's net debt was $13.4m with $35.5m drawn down under its debt facility and cash of $22.1m. As announced on 20 January 2023 the Group's debt facility was reduced in line with its changing business needs and to provide additional working capital. The revised covenants referred to in the 20 January announcement have now been extended to the end of FY24.

The Board has decided not to declare a dividend for 1H FY23 in light of continued market uncertainty and the Group's capital management priorities.

[5] Prior year revenue numbers have been restated to include freight income consistent with the reclassification made at year end FY22.

[6] The underlying operational EBITDA pre AASB16 is before additional inventory provision of $19.6m, the underlying EBITDA post this additional provision is a loss of $23.1m. Underlying earnings excludes non-recurring costs of $1.2m (strategic logistics review of $0.6m, costs related to acquisition opportunities being considered that did not materialise of $0.4m and other costs of $0.2m)

Pathway to sustainable profitable growth

City Chic's management team are driving five key focus areas to return margin and fulfilment costs to historic levels, simplify its supply chain and return to a more agile business model to provide a platform for sustainable, profitable growth:

1. Increasing margin by lowering promotional activity in line with market improvement and lower inbound logistics costs;
2. Lowering fulfilment costs by consolidating its warehouses and reducing supply chain complexity;
3. Continued focus on reducing controllable operating costs;
4. Scaling its international businesses and leveraging the customer base and operating structures to drive profitable growth; and
5. Maximising the partner opportunity to grow our omni-channel presence in key markets.

Trading Update and Outlook

Operating conditions remain uncertain, with trading in the first seven weeks of 2H FY23 17% below the prior corresponding period. Promotional levels remain elevated as competitors drive deeper clearance activity to drive customer demand.

City Chic is trading with higher than normal end of season clearance in all markets to clear end of line inventory ahead of key warehouse consolidation. It anticipates a more normal promotional cadence as seasons transition into the fourth quarter.

City Chic's fulfilment simplification program is on track and the benefits of its strategic actions are expected to materialise towards the end of 2H FY23 and into FY24. Shipping availability, rates and transit times are improving but costs remain above pre-pandemic levels.

The Group's in-market inventory and ability to move stock between geographies limits the need for stock purchases in 2H FY23. It expects inventory to normalise and is on track to reach its post provision target of $105m-115m at financial year end. With strong cash generation as inventory unwinds the Group expects to deliver a positive net cash position by financial year end.

For the remainder of FY23 market conditions are expected to remain uncertain, with the Group's key focus areas providing a pathway to sustainable, profitable growth.

Additional Information

An Investor Presentation has also been lodged with the ASX today.

City Chic will host a webcast for analysts and investors at 9.30am AEDT accessible via the following link:

Webcast registration link: https://webcast.openbriefing.com/ccx-hyr-2023/

Conference call registration link: https://s1.c-conf.com/diamondpass/10028343-tdgf5d.html

The release of this announcement was authorised by the Board.

About City Chic Collective

City Chic Collective is a global omni-channel retailer specialising in plus-size women's apparel, footwear and accessories. It is a collective of customer-led brands including City Chic, Avenue, Evans, CCX, Hips & Curves, Fox & Royal and Navabi. City Chic and CCX are better dressing for plus women and its omni-channel model comprises; of a network of 90 stores across Australia and New Zealand (ANZ) and websites operating in ANZ, the US, the UK and Europe. Navabi (Germany-based), Avenue (US-based) and Evans (UK-based) target a broad customer base across the conservative segment, both with a long history and significant online customer following. Hips & Curves and Fox & Royal are online intimate brands. City Chic Collective acquired European-based online marketplace Navabi in the current year and also sells its collective of brands through third-party marketplace and wholesale partners in Australia, New Zealand, US, Canada, UK, Europe and the Middle East.

Investor and Media Enquiries
Matthew Gregorowski +61 422 534 755
Maddie Seacombe +61 402 999 291
Citadel-MAGNUS