

city chic collective

24 February 2022

City Chic Collective Limited Interim FY22 Results

- Sales Revenue of \$178.3m, representing top-line growth of 49.8% and comparable sales growth (CSG) of 44.0%¹
- Underlying EBITDA² of \$23.5m Pre-AASB16 up 1.0% vs 1H FY21 and up 23.0% vs 1H FY20, representing a 13.2% margin
- Statutory NPAT of \$12.3m, down 5.9% vs 1H FY21 with Underlying NPAT Pre-AASB16 of \$14.0m in line with the prior comparable period (PCP)
- Global customer base up 64% YoY to 1.32m active customers with growth in all regions
- Global customer website traffic growth of 71% YoY to 71.7m visits³
- Online comparable sales growth of 52.5%, with 83% online penetration⁴
- Sales outside of ANZ totaled 55% of Group revenue
- Revenue growth supported by strategic investment in inventory to proactively manage risks associated with global supply chain volatility and deliver continued growth
- Strategic acquisitions of European plus-size online marketplace Navabi in July 2021 and USA plus-size marketplace CoEdition's customer lists, brand and URL in December 2021 (post balance date)
- Cash Balances have reduced to \$38.7m⁵ (down 45.9%) from \$71.5m at June 2021 as a result of the strategic investment in inventory and the Navabi acquisition
- Launched new marketplace partnerships and expanded our brands and ranges across all geographies as part of our 'World of Curves' growth strategies

City Chic Collective Limited (ASX: CCX) ("City Chic", or the "Group") today released its interim FY22 financial results for the 26 weeks to 26 December 2021, reflecting strong sales revenue growth across all regions as it expanded its customer base and category market share and continued to leverage its global footprint across the online, marketplace and store channels.

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

"Our revenue growth of 49.8% is very pleasing as we stayed focused on our three strategic pillars of plus size, digital and global customer acquisition. We did this through expanding the customer base both organically and inorganically while accelerating our digital growth.

¹ Comparable sales exclude Wholesale and Online Marketplaces and the recent acquisition of Evans and Navabi; excludes period of extended store closures due to Government-directed lockdowns. On constant currency basis (prior year re-stated at current year FX rate)

² Underlying EBITDA adjusted for net expenses of \$1.7m, which include costs associated with the acquisition of Navabi and its integration into the business, as well as costs associated with the impact of additional on-costs incurred on the vesting of performance rights in 1H FY22 and the outstanding performance rights and loan funded shares at the end of 1H FY22 (net of a favourable impact from the forfeiture of long-term performance incentives in 1H FY22). No adjustment for the non-cash long term incentive share-based payments expense of \$0.7m in 1H FY22 (\$1.5m in 1H FY21).

³ Traffic to Online Websites, excludes traffic to online marketplaces

⁴ Includes revenue from Online Websites and Online Marketplaces

⁵ Reported cash balance of \$38.7m has changed from the previously disclosed preliminary amount of \$40.5m in the ASX announcement "Trading Update for the 26 weeks to 26 December 2021" dated 14 January 2022. The change is as a result of a deposit balance being reclassified to trade and other receivables.

The revenue growth demonstrates that our product range and lifestyle mix across all of our assortment has global appeal.

“We delivered an increase in our customer base of 64% with active customer growth in all regions, and online sales penetration growth from 73% to 77%⁶. This was despite the pervasive disruptions caused by COVID-19 especially in the form of labour shortages, global supply chain and logistics volatility and extended store closures as a result of government-directed shutdowns. I am extremely proud of this achievement and thankful for the way our team has remained committed to delivering for our customers.

“We achieved a pleasing Underlying EBITDA of \$23.5m in the first half. While this was flat on last year, the two periods are not entirely comparable given last year we benefited from \$10m of COVID-related austerity measures and didn't have the two EMEA acquisitions which were breakeven at the EBITDA level as the businesses build. In this period we also had the negative impact of the Government-directed store closures of approximately \$4m and had strong growth in online and in the Americas, which are at lower gross margins. Taking all of this into account, the core business in the USA and ANZ are at historical EBITDA levels.

“Our diversified global footprint has minimised the impact of the store closures in ANZ where we lost 27% of trading days in the first half due to lockdowns, while the online business continues to grow well. The Americas continues to be strong, and we believe the UK and Europe will bounce back as we continue to address the ongoing supply chain issues and continue to integrate the new businesses. We have also taken a strategic view of inventory levels globally. In doing so we have increased inventory levels quite significantly to give us the opportunity to have the product ready for when our customer wants it, and to support our growth despite continued global supply chain issues.”

1H FY22 Results Review

In the first half of FY22, City Chic continued to drive the growth of the business globally with revenue remaining strong despite the continued volatility and widespread impacts relating to COVID-19 and the new Omicron variant. Overall revenue of \$178.3m was up 49.8% on 1H FY21 and represents constant-currency⁷ growth of 51.0% and comparable sales growth of 44.0%, with regional sales as follows:

- **ANZ:** Sales of A\$80.7m up 14.0% (1H FY21: \$70.8m) and CSG of 29.0% mainly driven by online growth of 42% (online growth of 83.9% vs 1H FY20);
- **Americas:** Sales of A\$77.2m up 62.0% (1H FY21: A\$47.7m) and CSG 61.2% driven by growing customer base and introduction of wider range of products and lifestyles on Avenue.com including City Chic branded products; and
- **EMEA:** Sales of A\$20.3m. Ongoing supply chain and logistics challenges in the UK/EU have impacted sales, however, EMEA operations contributed to Group revenue with the businesses breaking even at the EBITDA level as they rebuild.

Underlying EBITDA of \$23.5m Pre-AASB16 was up 1.0% on 1H FY21 with Statutory NPAT of \$12.3m down 5.9% and Underlying NPAT Pre-AASB16 of \$14.0m, in line with the prior comparable period. The lower Gross Trading Margin (excluding fulfilment costs) of 58.9% (1H FY21: 61.2%) was due to the shift in geographic/channel mix, with higher online penetration and lower online channel gross margins relative to stores.

Underlying Cost of Doing Business (CODB)⁸ of 45.7% of sales is higher than 1H FY21 (41.6%) on an actual basis but lower than the 50.0% if the prior period was adjusted for the austerity measures. The period of 1H FY21 benefitted from non-recurring COVID-19 related austerity measures of \$10.0m, related to Marketing & Advertising, Employee Benefits and other OPEX.

⁶ Based on 12 months to 26 December 2021 (LTM) to remove seasonality impacts

⁷ Constant currency is calculated by restating the prior year sales at the current year FX rate

⁸ CODB represents all costs after Gross Trading Margin and before EBITDA, net of other income. CODB includes Fulfilment costs, which represents warehousing and freight costs to deliver online sales.

As a percentage of sales, fulfilment costs increased due to the continued growth of the online business and an underlying increase in freight costs globally.

Inventory & Cash

The investment in inventory over 27 June 2021 was \$58.7m to \$125.7m. Revenue growth across all regions during the period has been supported by the strategic investment in inventory and diversification of City Chic's supplier base and geographies to proactively manage the risks associated with global supply chain volatility and freight capacity shortages. The Group executed strategies to leverage its global demand and produce commercial quantities at its quality and price expectations to deliver growth.

During the first half, the Group increased lead times for existing factories and added additional lead time for new supply partners, investing further in additional inventory to support continued growth. This contributed to higher inventory levels at the end of 1H FY22 and will see a further build up in 2H FY22 to secure stock for the Northern Hemisphere summer season and key sales periods, and consequently requires a higher utilisation of cash.

This strong inventory position during 1H FY22 supported sales growth in the Americas and ANZ during the peak Black Friday and Christmas sales period whilst the UK and EU were navigating ongoing labour and logistics issues, which are a key focus in the second half. These higher inventory levels will support the Group's growth in calendar year 2022 and allow City Chic to continue managing ongoing global supply disruptions.

As a consequence of the Group's strategic investment in inventory (and the acquisition of Navabi), cash at 26 December 2021 was \$38.7m, down 45.9% from \$71.5m at June 2021. The ongoing investment in inventory in 2H FY22 will result in a temporary but further reduced cash position and the partial utilisation of the Group's debt facility.

COVID-19 Impact

During the first half, COVID-19 continued to have a significant and broad impact across the Group's global operations. The health crisis and government-directed restrictions caused disruption to logistics and consumer spending, with specific impacts including:

- The ANZ store network was impacted by extended periods of store closures in response to government-imposed restrictions with 27.1% of store trading days being lost;
- Significant disruption to labour and logistics in the UK impacting the Group's ability to build seasonally appropriate stock levels;
- The logistics challenges noted in the UK also delaying the growth potential with partners and the Navabi marketplace; and
- Additional strategic investment in inventory during the current period.

Financial Position and Dividend

City Chic's net cash position at 26 December 2021 was \$38.7m with no debt drawn under the existing \$40m debt facility, which matures in February 2023.

A net cash consideration of \$4.3m was made for the acquisition of Navabi on 23 July 2021.

The reported operating cash flow used in 1H FY22 was \$19.4m (1H FY21: cash generated of \$21.3m). The decline in operating cash flows is associated with the strategic decision to invest in inventory.

Given the ongoing uncertainty caused by COVID-19 around the world, the investment in inventory, the resulting short-term decline in operating cash flows and the potential for opportunities to accelerate growth through acquisitions, the Board has decided not to declare a dividend for 1H FY22. The decision to pay a dividend will be reviewed at the FY22 results.

FY22 Outlook

City Chic notes there is uncertainty given the current impacts of macroeconomic conditions and Omicron on consumer confidence.

In the first 8 weeks of 2H FY22, City Chic has continued to deliver top-line and comparable sales growth:

- While still strong, Online growth rates in the key markets of ANZ and US have been more subdued compared to 1H FY22 following strong sales in the peak trading period of Q2 and COVID-19's impact on consumer confidence into Q3; the physical store environment in Australia during the first 8 weeks has been challenging
- US growth has continued with our fashion product selling well on both City Chic and Avenue websites
- Initial response from the CoEdition customer has been pleasing as there has been a significant uptick in sales on the CC US website following the integration in January
- UK and EU are showing signs of recovery and getting closer to pre-acquisition levels

Our partner business across multiple geographies has continued to show growth in the first 8 weeks of 2H FY22. We will continue to develop new programs and launch new ranges with our existing partners, as well as onboarding new partnerships during 2H FY22 and into FY23.

Managing our supply chain to counter the ongoing global disruptions, and to position the Group for continued growth, will remain a key focus in the second half with programs to actively manage inventory across the regions in place. Stock levels will continue to build during 2H FY22 to manage Lunar New Year shutdowns in China and in time for the Northern Hemisphere summer sales period. As noted, this strategic investment in inventory will result in a temporary reduced cash position and the partial utilisation of the Group's debt facility.

Commenting on outlook for the remainder of FY22 and into FY23, Michael Kay, Chairman and Non-Executive Director of City Chic said:

"The COVID-19 pandemic continues to have an impact both locally and globally. The Directors continue to monitor COVID-19 related developments and are working closely with management to assess and navigate the potential implications for team members, suppliers, customers, and operations. While the environment remains uncertain, the performance of the business to date demonstrates the management team's ability to manage volatile market conditions. We are confident we are well positioned to continue to grow our business and to lead a world of curves."

FY22 will end on 2 July 2022 which represents 53 trading weeks.

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:

<https://webcast.openbriefing.com/8405/>

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 and Fox & Royal. City Chic and CCX appeal to fashion forward women and its omni-channel model comprises; of a network of 94 stores across Australia and New Zealand (ANZ) and websites operating in ANZ, the US, the UK and Europe. Avenue (US based) and Evans (UK based) target a broad customer base across conservative and fashion segments, both with a long history and significant online customer following. Hips & Curves in the US, and Fox & Royal in ANZ, the UK and Europe, are online intimates brands. City Chic Collective owns recently acquired European-based online marketplace Navabi and also sells its collective of brands through third-party marketplace and wholesale partners in the 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