

city chic collective

26 August 2021

City Chic Collective Limited FY21 Results

- Sales Revenue of \$258.5m, representing top-line growth of 32.9% and comparable sales growth (CSG) of 31.6%¹
- Underlying EBITDA² of \$42.4m Pre-AASB16 (16.4% margin; 59.8% growth vs FY20 and 70.3% growth vs FY19) and \$50.2m Post-AASB16
- Statutory NPAT of \$21.6m (135.3% growth) and Underlying NPAT² Pre-AASB16 of \$24.9m (80.6% growth)
- Global customer base growth of 61% YoY to 1.07m active customers
- Global customer website traffic growth of 68% YoY to 58.1m visits³
- Online sales growth of 49.3%, with 73% online penetration⁴
- Sales outside of ANZ totaled 44.1% of group revenue
- Strong balance sheet with net cash of \$71.5m at 27 June 2021 and undrawn debt facility of \$40.0m; completed \$111.1m equity raise in July-August 2020
- Completed strategic acquisitions of plus-size brand Evans in the UK in December 2020 and European plus-size online marketplace Navabi in July 2021
- Negotiated new partnerships with Debenhams, Walmart, Amazon, David Jones, The Iconic, Next, Curvissa, Freemans, HBC, Very, Zalando, Target and eBay
- Launched Avenue brand in ANZ
- Foundation laid in four key regions to drive strong organic and inorganic growth

City Chic Collective Limited (ASX: CCX) ("City Chic") today released its FY21 financial results for the 52 weeks to 27 June 2021:

(Continuing Operations)	FY21 (A\$m)		FY20 (A\$m)		YoY %	
	Underlying	Reported	Underlying	Reported	Underlying	Reported
Pre AASB-16						
EBITDA	42.4	39.1	26.5	23.3	59.8%	68.0%
EBIT	36.0	32.7	20.7	17.4	73.9%	87.6%
NPAT	24.9	22.4	13.8	9.3	80.6%	141.7%
Post AASB-16						
EBITDA	50.2	47.0	38.8	35.6	29.3%	31.9%
EBIT	35.8	32.6	21.3	18.0	68.5%	80.7%
NPAT	24.0	21.6	13.7	9.2	75.8%	135.3%

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

"Our strategic vision to lead a world of curves has taken a huge step in the last twelve months despite the impacts of the pandemic. I am proud of and thankful for the way our team has remained committed to delivering for our customers. Our razor-sharp focus on the three

¹ Comparable sales exclude Wholesale and Online Marketplaces and the recent acquisition of Evans; includes Avenue from mid-October 2020 (one year from acquisition); 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 \$3.3m, which include costs associated with the July-August 2020 equity raise and the acquisition of Evans, as well as other adjustments. No adjustment for the non-cash long term incentive share-based expense of \$3.2m in FY21 (\$2.8m in FY20)

³ Traffic to Online Websites, excludes traffic to Online Marketplaces

⁴ Includes revenue from Online Websites and Online Marketplaces

pillars of plus-size, digital and global customer acquisition have again delivered strong results. In the past year 73% of our sales were through the online channel, and we have over one million global active customers.

We have continued to gain market share in ANZ with 27% revenue growth, achieved through lifestyle and segment expansion of the City Chic product streams. In August this month we soft launched the conservative value product into the Australian market, which allows us to address the broader curvy community.

It was another strong year in the US with 37% constant currency growth. Despite a challenging first half, the consumer came back at the start of 2021 and we have seen this continue into FY22. Avenue.com is trading consistently above pre-acquisition revenue levels and the City Chic US website has returned to pre-pandemic growth levels.

The first six months of Evans have been pleasing with the operations profitable over the period. The integration is now complete and inventory levels are back to a commercial level, with sales already on a run rate of pre-acquisition levels.

Our UK and European marketplace partner strategy has moved forward in the second half with our brands launching on Next.co.uk and Curvissa. We have also agreed to extend our wholesale partnership with the Alshaya Group into a franchise arrangement in over 20 Debenhams stores across the Middle East and the associated websites.

The Navabi integration is tracking ahead of plan and the initial reads on the loyalty of the customer to the marketplace have exceeded my expectations. Inventory levels will take a few months to rebuild and in the short term we will re-position our global inventory to Europe. I'm very excited to introduce the collective's breadth of assortment to this customer.

Our diversified global footprint has minimised the impact of the current store closures in Australia due to lockdown. The US continues to be very strong and the UK and Europe have bounced back in the last couple of months.

With strong banner brands in Australia, US, UK and now Europe, and strong global marketplace partners, we are positioned well to continue to grow our business and to lead a world of curves."

FY21 Results Review

Sales Revenue

Sales revenue of \$258.5m up 32.9% on FY20 and represents constant-currency growth of 38.5% and comparable sales growth of 31.6%:

	Sales Revenue	Sales Growth Reporting Currency	Sales Growth Constant Currency ⁵	Comparable Sales Growth ¹
Online Website	184.6	55.6%	64.5%	37.5%
Stores	67.0	11.2%	11.4%	12.1%
Marketplace	4.5	(44.0%)	(37.7%)	NA
Wholesale	2.4	(68.5%)	(66.1%)	NA
Total	258.5	32.9%	38.5%	31.6%
ANZ	144.5	27.1%	27.3%	32.2%
Americas	99.6	26.8%	37.4%	30.8%
EMEA	14.4	533.7%	NA	NA
Total	258.5	32.9%	38.5%	31.6%

⁵ Constant currency is calculated by restating the prior year sales at the current year FX rate

ANZ

- Topline growth of 27.1% and CSG of 32.2% driven by strong like-for-like store growth of 12.1% and online growth of 44.9% (online growth of 72.6% vs FY19)
- Dress category impacted heavily by COVID restrictions; rebounded in Nov 2020
- Assortment increased by approximately 50% from beginning to end of FY21
- Ongoing transition to new store fit-outs and sites, driving higher contribution
- Government-directed temporary store closures continued throughout the year including extended lockdowns in Victoria from July to October 2020
- 14 holdover stores permanently closed due to no rent deal reached with landlords at time of initial COVID restrictions in 2020 (closed prior to FY21)

Americas

- US online websites (Avenue.com, Citychiconline.com, Hipsandcurves.com) contributed sales of A\$94m (FY20: A\$65m), driven by growing customer base and introduction of wider range of products and lifestyles on Avenue.com including City Chic branded products
- CSG of 30.8% driven by strong growth for Avenue.com, but impacted by a significant fall in sales for City Chic product in 1H FY21 due to COVID restrictions. Strong recovery in the dress category from March 2021, which has continued into FY22
- Growth of Avenue.com to pre-acquisition levels in 2H FY21, delivered with higher gross margin
- Wholesale and marketplace partner sales down \$7.1m YoY due to heavy impact of COVID in 1H FY21; partners reinstated in 2H FY21 and continue to rebuild
- AUD appreciation reduced AUD equivalent sales for the US operations (However, the natural hedge with USD stock purchases for the Australian operations resulted in no material FX impact on the group's earnings)

EMEA

- Evans, acquired on 23 December 2020, was profitable in 2H FY21 with website sales of A\$13.5m since acquisition, despite inventory being materially below commercial levels throughout the majority of FY21, lockdowns due to COVID and disruption from moving website and warehouse
- Trading ahead of pre-acquisition levels from June 2021 with stock rebuild well progressed by June and easing of restrictions in the UK from May 2021
- Integration period from December 2020 to March 2021 disrupted trading and incurred high transition services agreement (TSA) costs
- Wholesale partners down due to impact of COVID; key European partner Zalando being transitioned to a marketplace partner from FY22 onwards. Relaunched with existing Evans partner Next and new integration underway with Debenhams; launched with new partners Curvissa and Freemans in UK
- Pleasing trading of City Chic and Avenue branded products on Evans.co.uk

Gross Trading Margin

Higher Gross Trading Margin (excluding fulfilment costs)⁶ of 61.8% (FY20: 57.8%):

- Stronger product performance in the second half as consumer demand recovered in both ANZ and the US leading to a reduction in discounting
 - ANZ online gross margins recovered from October 2020 onwards
 - US gross margins recovered in 2H FY21, driven by rebound in dress category from March 2021 as vaccination roll-out accelerated
- Store gross margins over the period slightly improved compared to FY20
- Smaller contribution from the lower margin Wholesale channel
- Above three factors partially offset by a shift in channel mix having a downward impact on group gross margins
 - Higher online penetration, with lower online channel gross margins vs stores
 - Full year contribution from the lower gross margin Avenue business and addition of Evans for 2H FY21.

⁶ Gross Trading Margin represents Sales Revenue less purchase and inbound-related costs of inventory

Cost of Doing Business

Underlying Cost of Doing Business (CODB)⁷ increased to 45.4% of sales from 44.1% in FY20

- Higher US logistics costs in 1H FY21 due to large temporary freight surcharges with disruptions and labour shortages resulting from the pandemic
- Additional investment in advertising to drive customer base growth to over 1 million active customers, with strict return hurdles for all spend
 - \$15.4m and 6.0% of sales in FY21 vs \$4.3m and 2.2% of sales in FY20
 - FY21 spend includes full year of Avenue (vs 37 weeks in FY20) and 27 weeks of Evans (vs nil weeks in FY20)
 - Includes introduction of direct mail campaigns to the Avenue store and lapsed customer base
 - Resulted in 24% growth in traffic in ANZ and 67% growth for Avenue.com⁸
 - Returning customers will drive sales revenue growth in future periods
- Impacted by high TSA costs during the integration period for Evans.

FY21 Operational Highlights

In FY21, City Chic continued to drive the growth of the business globally, whilst successfully navigating the impacts of the COVID-19 pandemic. The key initiatives and developments during the period include:

- Entry into the UK market with the acquisition of market-leading plus-size brand Evans
- Implemented a strategy to re-engage the significant Avenue customer base including a direct mail campaign in the US and digital and social retargeting
- Introduced City Chic and CCX brands to Avenue.com
- Introduced City Chic, CCX and Avenue brands to Evans.co.uk
- Expanded online product offering with greater assortment. New lifestyles developed to target greater breadth of the market, including Refinity, Arna York, Societie+, Zim & Zoe and Aveology
- Continued to rotate store portfolio into new fit-outs and larger spaces with focus on enhanced in-store experience; opened 12 new stores and closed 16 holdover stores; three relocations to larger format sites
- Resumed key partnerships in the US with Macys and Nordstrom from 2H FY21
- Launched new marketplace partnerships in the UK with Next, Curvissa and Freemans (all in June 2021)
- Launched marketplace partnership in Canada with Hudson's Bay Company (April 2021) including setting up a new warehouse, which will also facilitate expanding through other channels in the Canadian market
- Negotiated other marketplace partnerships to launch in FY22 including Debenhams (UK), Very (UK), Zalando (Germany), Amazon (UK), Walmart (US), Target (US), eBay (AU), David Jones (AU) and The Iconic (AU)
- Commenced wholesale partnership with Alshaya in the Middle East as a channel to deliver our assortment to their customers; will grow into a franchise model in FY22.

Evans Acquisition

On 23 December 2020, City Chic completed the acquisition of the Evans brand, and the eCommerce and wholesale businesses for £22.7m (A\$40.2m) in cash. The acquisition provided City Chic with an excellent foundation in a new geography and is part of the strategy to expand the global customer base through the digital channel.

⁷ CODB represents all costs after Gross Trading Margin and before EBITDA, net of other income. From this period onwards CODB will include Fulfilment Costs, which represent warehousing and freight costs to deliver online sales. In prior periods, Fulfilment Costs were included in the calculation of Gross Margin. In FY21 CODB includes \$3.2m non-cash share-based payments expense (FY20: \$2.8m)

⁸ Like-for-like growth for Avenue with traffic from November 2020 (one year from acquisition) to June 2021

Established in 1930 in the United Kingdom, Evans is a well-recognised specialty retailer of plus-size apparel and footwear, targeting a broad customer base across the conservative and fashion segments. Evans was a part of the Arcadia Group, which went into administration in November 2020. The transaction excluded the Evans “bricks and mortar” store network in the UK and the franchise business based primarily in the Middle East.

In the financial year to August 2020 (12 months), the Evans website had 19 million visits and generated approximately £23m of sales revenue, and the wholesale business delivered sales of approximately £3m. The Evans group (online, wholesale, stores, and franchises) generated over £60m in annual sales prior to COVID-19.

The Evans operation was integrated ahead of schedule in March 2021 and under budget. By July 2021 the stock had been rebuilt to more commercial levels. The introduction of City Chic and Avenue branded product to the Evans customer base has been well received, with materially more styles to be introduced in FY22. Evans was profitable in 2H FY21 despite elevated transitional services agreement costs and heavy COVID-19 restrictions in the UK for a majority of the half. In the first six months since acquisition, approximately 120,000 customers have shopped despite the low inventory position and disruption from transitioning to a new website and warehouse, outlining the loyal customer following.

Navabi Acquisition

On 23 July 2021, City Chic signed and completed a share purchase agreement to acquire 100% of the shares in JPC United GmbH (“Navabi”) for €6.0m (A\$9.6m) in cash, from the co-founders of Navabi. The company’s assets include €2.1m (A\$3.4m) of cash net of tax liabilities, as well as inventory and immaterial other working capital.

In 2009, Navabi was established as an online marketplace selling hundreds of third-party women’s plus-size brands. Navabi has also developed its own brands exclusively sold on the marketplace, which have grown to become the majority of sales in recent years. Navabi’s loyal customer base are focused on size, fit and quality, and are based predominantly in Germany. Navabi’s websites had 5.8m customer visits in calendar year 2020, generating €10.4m (A\$16.6m) in sales revenue, and pre-pandemic traffic exceeded 10m visits with more than double the 2020 sales revenue.

COVID-19 Update

In FY21, the ANZ store network was impacted by several periods of closures in response to government direction. Over the financial year there were approximately 3,655 equivalent store days closed (over 10% of total equivalent store days in FY21) including 2,910 in Victoria, 177 in NSW, 176 in Queensland, 147 in Western Australia, 49 days in Northern Territory, 34 in South Australia, 12 in ACT, 7 in Tasmania and 143 in New Zealand.

During the first 8 weeks of FY22, there were approximately 1,646 equivalent store days closed (c.33% of total equivalent store days over the period) including 764 in NSW, 565 in Victoria, 178 in Queensland, 40 in Western Australia, 32 in South Australia, 20 in ACT, 7 in Northern Territory and 40 in New Zealand. Stores in NSW (18), Victoria (21), ACT (2) and New Zealand (8) remain temporarily closed at the time of this announcement.

Throughout FY21 the US experienced significant waves of COVID-19 and various extended government directed restrictions, which caused disruption to labour, logistics and consumer spending during the period. There was significant disruption to labour in warehousing and fulfilment and large surcharges imposed by freight carriers, in particular during peak seasonal trade in November 2020 to January 2021. Aligned with the acceleration of the vaccine roll-out in early 2021, restrictions were eased which resulted in a rebound in consumer spending from March 2021 onwards.

At the time of the acquisition of Evans, the UK was in heavy government-imposed lockdowns. An acceleration in vaccinations resulted in an easing of restrictions from May 2021 and an improvement in consumer spending. There has been an impact on logistics and labour in the UK, but less severe than that experienced in the US in 1H FY21.

COVID-19 continues to cause disruption to logistics globally and stores in ANZ, as well as cause uncertainty and volatility in consumer confidence and spending. With geographic and channel diversification and a focus on executing on the long-term plans for the business, City Chic is well positioned to navigate the conditions and capitalise on a recovery globally.

Financial Position and Dividend

City Chic's net cash position at 27 June 2021 was \$71.5m with no debt drawn under the existing \$40m debt facility which matures in February 2023.

City Chic completed an equity raising of \$111.1m in the first quarter to strengthen the balance sheet and accelerate the company's global growth ambitions. In July 2020, City Chic completed a fully underwritten \$80.0m Placement of new fully paid ordinary shares to eligible institutional investors conducted at \$3.05 per share. Following the completion of the Placement, in August 2020 City Chic offered all eligible shareholders the opportunity to participate in a non-underwritten Share Purchase Plan (SPP). City Chic raised \$31.1m through the SPP, also conducted at \$3.05 per share. A total of 36.4 million new shares were issued through the Placement and SPP.

Cash consideration of \$40.2m was made for the acquisition of Evans on 23 December 2020. The cash payment of \$9.6m for the acquisition of Navabi on 23 July 2021 was post FY21 year end and therefore not reflected in the ending cash balance of \$71.5m.

City Chic is well capitalised to deliver on its strong organic growth pipeline and well positioned for future inorganic opportunities to expand the global customer base. Given the opportunities to accelerate the growth of the business, as well as the ongoing uncertainty caused by COVID-19 around the world, the Board has decided not to declare a dividend. The decision to pay a dividend will be reviewed at the interim FY22 results.

FY22 Update and Outlook

In the first eight weeks of FY22, City Chic is pleased to advise that the company has continued to deliver strong positive top-line and comparable sales growth:

- Avenue continues to trade strongly, materially above pre-acquisition levels
- Evans has rebounded strongly and is now trading above pre-acquisition levels
- ANZ topline sales were in line with the prior corresponding period, despite the impact of temporary store closures. During the period an equivalent of 33% of trading days were lost, which has had an earnings impact of approximately \$1m per month in July and August. There continues to be uncertainty relating to the duration of the lockdowns in ANZ
- Navabi is trading ahead of expectations and above FY21 levels, although noting the limited period since acquisition.

A number of marketplace partnerships to be live by September 2021 including Walmart (US), Debenhams (UK) and eBay (AU). Marketplace integrations are underway for Very (UK), Zalando (Germany), Amazon (UK), Target (US) and The Iconic (AU), which are all expected to be live in 1H FY22. City Chic has also expanded on its partnership with the Alshaya Group to move towards a franchise arrangement for over 20 Debenhams stores in the Middle East.

To drive market share growth in ANZ, City Chic has introduced the conservative value product stream into the market including the Avenue and Evans brands. Leveraging the learnings from the US market entry experience, the existing Citychic.com.au website and

partners will deliver brand awareness. In August 2021 there was a soft launch on the City Chic website with positive early reads, and the company has entered a partnership with David Jones in Australia for an Avenue and Evans concession in 14 stores and their online marketplace, which is planned to launch in 1H FY22.

City Chic continues to see a reduction in cost of goods from the growing scale in production volumes. There have been ongoing increases in global shipping costs (presented within the cost of goods) since the beginning of the pandemic; however, shipping costs have historically represented a relatively small percentage of the cost of goods for City Chic. Shipping delays caused by the pandemic are being mitigated by building more lead time into stock deliveries.

Heading into FY22 City Chic is focused on the strategy of delivering its significant product range to the global plus-size market through its global digital and physical storefronts. The strategy includes the execution of various initiatives:

- Drive market share growth and customer acquisition in the US
- Gain market share in ANZ through the introduction of our conservative value product stream (Evans and Avenue)
- Introduce the collective's full assortment to the Evans customer base, building on the initial deliveries in 2H FY21, to drive greater market penetration
- Integrate Navabi and introduce the collective's brands to the customer base, as well as to further develop the current product and lifestyle offering
- Expand and execute on marketplace partnerships in all regions
- Rotate store portfolio into new fit-outs and conversion to larger format stores; enhance in-store experiences and store environments
- Further develop the *World of Curves* social community
- Continue to review inorganic opportunities to accelerate global customer growth.

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

The release of this announcement was authorised by the Board.

Additional Information

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

The company will host a webcast for analysts and investors at 9.30am AEST accessible via the following link:

<https://webcast.boardroom.media/city-chic-collective-limited/20210224/NaN60f0e33b259e80001b1b43fe>

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 89 stores across Australia and New Zealand (ANZ) and websites operating in ANZ and the US. 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 and the UK are online intimates brands. City Chic Collective owns European-based online marketplace Navabi, and sells its collective of brands through third-party marketplace and wholesale partners in the US, Canada, UK and Europe.

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