24 February 2021

City Chic Collective Limited Interim FY21 Results

Results Highlights

- Comparable sales growth of 20.8% excluding Victorian store closures, 12.7% including Victorian store closures[1]
- Sales Revenue of $119.0m, representing 13.5% growth vs 1H FY20
- Underlying EBITDA of $23.3m[2], representing 21.8% growth vs 1H FY20 and an EBITDA margin of 19.6% (1H FY20: 18.2%)
- Normalised operating cash flow of $21.5m (1H FY20: $17.1m)
- Statutory NPAT of $13.1m, representing 24.8% growth vs 1H FY20
- Global customer base growth of 56% YoY to 801k active customers
- Online sales growth of 42% vs 1H FY20, off a high base with 73% of sales from the online channel (FY20: 65%, 1H FY20: 53%)[3]
- 45% of sales from the northern hemisphere (FY20: 42%, 1H FY20: 29%)[3]
- Strong balance sheet with net cash of $83m at 27 December 2020 and undrawn debt facility of $40.0m; completed $111.1m equity raise in July-August 2020
- Completed acquisition of dominant plus-size brand Evans in the United Kingdom

City Chic Collective Limited ("City Chic") today released its Interim FY21 financial results for the 26 weeks to 27 December 2020. Phil Ryan, Chief Executive Officer and Managing Director of City Chic said:

"Our diversified business across different brands and regions allowed us to navigate the pandemic and deliver earnings growth, despite our fashion and dress categories being impacted by lockdowns and restrictions. The more casual Avenue brand traded well in the US, and in Australia our customer-led model allowed us to quickly move to more casual product. Australia and New Zealand have led the recovery as restrictions eased over the past six months, and we are optimistic about a similar rebound in the fashion and dress categories in the US and UK later this year.

"We have not let the pandemic distract us from our focus on the plus-size market and digital growth through expanding the customer base globally. Avenue is growing strongly as we actively work to re-engage the sizeable customer base, as well as introducing the City Chic brand to leverage the significant traffic. Our ANZ business grew at a strong 19.4% on a comparable basis, excluding Victorian store closures. And we accelerated our entry into a third key region, with the acquisition of Evans in the UK.

"I have followed Evans for over a decade, a brand that is very well known in the UK and one which aligns with our existing product streams. It is a perfect fit strategically, and with cash

[1] Comparable sales exclude Wholesale and Online Marketplaces and the recent acquisition of Evans; includes Avenue from mid-October 2020 (one year from acquisition)
[2] Underlying EBITDA adjusted for net expenses of $0.6m, which include transaction costs associated with the July-August 2020 equity raise and the acquisition of Evans, as well as other adjustments. Underlying EBITDA is on a pre-AASB16 basis in order to present earnings on a like-for-like basis to prior periods. Underlying EBITDA includes the non-cash long term incentive share-based expense of $1.5m in 1H FY21 ($1.5m in 1H FY20)
[3] Based on rolling 12-month revenue

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on the balance sheet and a good understanding of the brand, we were able to move quickly and acquire the business at good value.

"Over the last two years, we have more than doubled our global active customer base to 801,000, increased online penetration from 40% to 73% and grown our northern hemisphere business from 16% to 45% of total sales. We now have three banner brands which have very strong brand recognition, customer loyalty and traffic in their respective home countries and we will leverage these platforms to sell all our brands around the globe.

"The challenges we have faced in the past year have highlighted the importance of our team and customers, and we are lucky to have been able to support them through this period. We are committed to having a positive impact on all the touchpoints of our business as we continue towards our vision of Leading a World of Curves."

1H FY21 Results Review

Highlights of the 1H FY21 results include:

- Sales Revenue up 13.5% vs. prior corresponding period (PCP) to $119.0m
    - Comparable Sales Growth (CSG)[1] of 20.8% excluding Victorian store closures and 12.7% including Victorian store closures (1H FY20: 11.3%)
    - Top-line sales growth impacted by:
        - Wholesale and marketplace sales were down $6.4m driven by US partners being temporarily challenged due to COVID-19
        - Government directed temporary closures of Victorian stores from July to October 2020 and New Zealand stores in August 2020
        - 14 holdover stores permanently closed in June 2020 as City Chic was unable to reach agreement with landlords on appropriate rent
        - 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
    - Australian and New Zealand (ANZ) CSG was 19.4% (excluding Victorian store closures), with positive CSG for stores and 30% growth for ANZ online
    - US online websites (Avenue, City Chic USA and Hips and Curves) contributed sales of A$45m in 1H FY21 compared to A$26m in 1H FY20, driven by the expanded customer base from the Avenue acquisition
    - City Chic USA website traded at levels below the PCP driven by the ongoing impact of restrictions in the US and the drop in demand for City Chic's major dress category. However, when including City Chic product sales on Avenue.com, City Chic branded sales in the US grew in 1H FY21 vs PCP
    - No material contribution from Evans since completion occurred on 23 December 2020, only four days before the end of the reporting period on 27 December 2020
- Gross Trading Margin (excluding fulfilment costs)[4] of 61.2% (1H FY20: 61.9%) reflects the shift in channel mix to online and full period contribution of the lower gross margin Avenue business
    - Higher levels of discounting for ANZ online in July and August due to COVID-19 restrictions was offset by stronger gross margins in December 2020
    - Store gross margins over the period were in line with PCP
    - Smaller contribution from the lower margin Wholesale and Marketplace channels

[4] Gross Trading Margin represents Sales Revenue less purchase and inbound-related costs of inventory.

- Underlying Cost of Doing Business (CODB)[5] reduced to 41.6% of sales from 43.7% in PCP, driven by a greater contribution from the lower CODB online channel including Avenue, as well as prudent management of head office and store costs
  - Additional investment in marketing with spend of $6.9m vs $4.6m in PCP, across both digital and direct marketing to drive customer base growth and investment in the brands. The first direct mail campaign to the Avenue store and lapsed customer base delivered a positive result and strong sales growth
  - Higher US logistics costs due to large temporary freight surcharges with disruptions and labour shortages as a result of COVID-19
- Underlying EBITDA margin of 19.6% (18.2% in 1H FY20)
- Statutory Net Profit After Tax (NPAT) was $13.1m (1H FY20: $10.5m)
- Normalised operating cash flow of $21.5m (1H FY20: $17.1m) representing strong conversion of earnings to cashflow.

1H FY21 Operational Review

In the first half of 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 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
- Expanded online product offering, now almost 900 styles per month globally
- Established new partnerships in the northern hemisphere, including Hudson's Bay Canada
- Continued to rotate store portfolio with new fit outs and larger spaces; opened 7 new stores and closed 4 holdover stores; one relocation to a larger format site

Evans Acquisition

On 23 December 2020, City Chic completed the acquisition of the Evans brand and eCommerce and wholesale businesses for £23.1 million (A$41.0 million) in cash. 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 United Kingdom 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 £23 million of sales, and the wholesale business delivered sales of approximately £3 million. The Evans group (online, wholesale, stores and franchises) generated over £60 million in annual sales prior to COVID-19. Prior to acquisition, Evans had high online penetration, with almost half of its direct-to-consumer sales (stores and website) completed through the digital channel.

The store portfolio had been shrinking for a number of years with customers transitioning to the digital channel, which City Chic anticipates will minimise any eCommerce sales leakage as a result of the administration-led store liquidation. The acquisition is expected to be earnings accretive in the first full year as part of the City Chic Collective.

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[5] 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 1H FY21 CODB includes $1.5m non-cash share-based payments expense (1H FY20: $1.5m)

City Chic continues to receive the benefit of a transitional services arrangement (TSA) in connection with the Evans eCommerce business, which is due to terminate at the end of April 2021. A third-party logistics provider in the UK has been selected and the website build is progressing to plan. At the end of the TSA, the Evans eCommerce business will move to the fully integrated City Chic Collective global eCommerce platform.

Equity Raise

City Chic completed an equity raising of $111.1m during the period to strengthen the balance sheet and accelerate the company's global growth ambitions, both organically and inorganically.

On 24 July 2020, City Chic completed a fully underwritten $80.0m Placement of new fully paid ordinary shares to eligible institutional investors. The Placement was conducted at $3.05 per share, resulting in 26.2 million new shares being issued, representing 13.1% of City Chic's pre-existing issued capital. New shares issued under the Placement settled on 30 July 2020 and commenced trading on 31 July 2020.

Following the completion of the Placement, 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, which closed on 18 August 2020. The SPP was conducted at $3.05 per share, resulting in the issue of 10.2 million new shares.

COVID-19 Update

In July 2020, the Victorian State Government reinstated restrictions in relation to COVID-19 in metropolitan Melbourne. To protect the health and safety of the team and customers, City Chic temporarily closed 18 stores in Melbourne. In early August, following the escalation of the COVID-19 outbreak, the remaining four stores in regional Victoria were also temporarily closed. There was a staged re-opening of regional and metropolitan stores from the end of September with all Victorian stores open by end of October 2020.

In August 2020, an increase in the number of COVID-19 cases resulted in the New Zealand government imposing restrictions in Auckland and City Chic temporarily closed its four stores. The stores were closed for less than three weeks, reopening at the start of September 2020. In November 2020, four stores in South Australia were also temporarily closed following a government-directed shutdown for three days.

City Chic continues to monitor guidance from the Federal and State Governments and will take appropriate actions to ensure the ongoing safety in its store environments. This included the 3-day closure of Queensland stores in January 2021, the 5-day closure of Western Australian and Victorian stores in February 2021, and the 3-day closure of Auckland stores in February 2021.

City Chic was eligible for the JobKeeper payment subsidy in Australia until the end of September 2020. JobKeeper subsidies received totalled $3.5m for 1H FY21, of which $1.3m represented top-up payments for unworked hours.

The United States has experienced significant and ongoing waves of COVID-19 and various government directed restrictions, which caused disruption to labour, logistics and consumer spending during the period. There has been significant disruption to labour in warehousing and fulfilment and large surcharges imposed by freight carriers. In addition, the Group's wholesale and marketplace business was largely paused throughout the period while partners addressed their own challenges caused by COVID-19.

The impact of COVID-19 on the consumer and disruption to operations continues to create uncertainty for the company. City Chic is well prepared to navigate the uncertain conditions, as well as to capitalise on the recovery.

Financial Position and Dividend

City Chic's net cash position at 27 December 2020 was $83m with no debt drawn under the existing $40m debt facility which matures in February 2023. The cash balance is after the payment of $41.0m for the acquisition of Evans on 23 December 2020.

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 ongoing uncertainty caused by COVID-19 around the world and the potential for opportunities to accelerate growth, the Board has decided not to declare a dividend. The decision to pay a dividend will be reviewed at the full year results.

FY21 Outlook

In the first eight weeks of the second half of FY21, City Chic is pleased to advise that the company has continued to deliver strong positive comparable sales growth.

The company is focused on the execution of various growth initiatives including:

- Integration of Evans and introduction of a wider range of product and lifestyles
- Continue to execute on the re-engagement strategy of the Avenue customer base
- Introduction of a conservative product stream to ANZ
- Expand presence in the UK by leveraging the Evans customer base, introducing marketplace partnerships and expanding the wholesale business
- Market entry into Europe through marketplace partnerships
- Re-start the partner business in the US (following pandemic impact in 2020)
- Rotation of store portfolio into new fit-outs and conversion to larger format stores
- Further develop the *World of Curves* social community.

Additional Information

An Investor Presentation has been lodged with the ASX today together this with announcement.

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

https://webcast.boardroom.media/city-chic-collective-limited/20210223/NaN5ffd0ed758ad75001a41f373

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 96 stores across Australia and New Zealand (ANZ), websites operating in ANZ and the US, and marketplace and wholesale partnerships in the US, UK and Europe. Avenue (US-based) and Evans (UK-based) target a broad customer base across conservative and fashion, both with a long history and significant online customer following. Hips & Curves and Fox & Royal are online intimates brands in the US and ANZ respectively.

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