

city chic collective

14 February 2019

City Chic Collective Limited 1H FY19 Results

Results Highlights

- Sales Revenue of \$75.4m¹ (up 7%) with comparable sales growth of 9.6%
- City Chic Online penetration at 40% of total sales
- Underlying EBITDA² of \$15.8m (up 22%) with Underlying EBITDA margin of 21.0%
- Normalised operating cash flow of \$14.6m
- Gross Profit Margin improvement to 60.4% (1H FY18: 59.4%)
- Underlying CODB as a percentage of sales reduced to 39.5% (1H FY18: 40.9%)
- NPAT for Continuing Operations³ of \$9.9m (EPS of 5.1 cents per share) and NPAT for the Group of \$10.1m (EPS of 5.3 cents per share)
- Strong balance sheet with net cash of \$35.5m (FY18: \$16.1m)
- Fully franked dividend of 5.0cps (ordinary dividend of 2.5cps and special dividend of 2.5cps)

City Chic Collective Limited (“City Chic” or the “Group”) today released its interim FY19 financial results for the 26 weeks to 30 December 2018. City Chic’s Underlying Earnings Before Interest, Taxation and Amortisation (EBITDA) for Continuing Operations³ was \$15.8m and Reported Net Profit After Tax (NPAT) for the Group was \$10.1m.

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

“We are extremely pleased with City Chic’s performance in the first half across all geographies and channels. Trade was consistently strong throughout the half, including over the Christmas period. We have delivered excellent topline growth globally and at higher margins, due to a constant focus on our customer. Through improved buying discipline, category mix and allocation of stock to appropriate channels, we have been able to reduce discounting to achieve higher sell prices.

Our online platform, which is our most profitable channel, continues to grow strongly in Australia and the United States. We have now reached 40% online penetration across our business. Our stores are profitable and trading well, and we continue to expand the portfolio in Australia and New Zealand.

We have successfully transitioned to standalone IT infrastructure following the divestment and are now fully independent. This allows us to focus entirely on driving our growth strategy for City Chic. We continue investing in our online platform and stores, expanding our online exclusive range, and rolling out larger format stores to drive additional spend from our significant loyal customer base.

City Chic now also has the balance sheet and strong cash flow generation to support the recommencement of dividends, as well as to pursue various strategic opportunities available to the company.”

¹ Excludes Interest Revenue.

² A reconciliation of all adjustments made to determine Underlying and Reported EBITDA has been provided on Page 21 of the Investor Presentation lodged today together with this announcement.

³ Continuing operations exclude brands divested to Noni B on 2 July 2018.

City Chic 1H FY19 Results Review

Highlights of the unaudited 1H FY19 results include:

- Sales Revenue up 7.1% vs. prior corresponding period (PCP) to \$75.4m
 - Comparable Sales Growth (CSG) of 9.6% (H1 FY18: 10.3%);
 - Continuing growth for both Australasian and US website;
 - Opened 5 new standalone stores in Australia and closed 8 Myer concessions.
- Positive lift in Gross Profit margin to 60.4% (H1 FY18: 59.4%) despite the shift in channel mix to Online. Reduced discounting to achieve higher sell prices through:
 - Improved buying discipline and category mix;
 - Improved allocation of stock to the appropriate channel.
- Underlying Cost of Doing Business (CODB) reduced to 39.5% of sales from 40.9% PCP, driven by:
 - Greater contribution from the lower cost Online channel;
 - Tight cost controls at head office and in stores;
 - Reducing less profitable concessions in 1H FY19 and closing loss making South African and Australian stores in 2H FY18.
- Operating cash flow of \$14.6m normalised for impact of a “one-off” shortening of trade creditor terms whilst a new trade facility is being implemented and outflows associated with the divested brands, the transaction and the transition. Outflows include settlement of select retained supplier and employee liabilities, GST related balances, advisor fees and redundancies, which were provided for at 1 July 2018 and reflected in the pro-forma net cash balance of \$25m disclosed at the full year FY18 results.

Financial Position and Dividend

The Group’s net cash position at 30 December 2018 was \$35.5m. This compares to its cash position of \$16.1m at the end of FY18. The cash position at 30 December 2018 includes sales proceeds from the divestment of brands on 2 July 2018 and no material further transaction related outflows are expected.

As previously announced, City Chic’s strong cash position, earnings momentum and solid cash flow generation supports the recommencement of a dividend. The Board has declared a fully franked interim ordinary dividend of 2.5 cents per share (\$4.8m). The Board has also declared a fully franked special dividend of 2.5 cent per share (\$4.8m). The record date for the dividends is 5 March 2019, with payment on 19 March 2019.

Transaction Update

On 2 July 2018, City Chic received cash consideration of \$31m for the sale of the divested brands. The business sale agreement included a post completion adjustment mechanism for cash and certain limited working capital items. Independent experts have been engaged to determine the quantum of the adjustment and the Group believes that it is appropriately provisioned to reflect the impact of this completion adjustment, once finalised.

CCX has successfully completed the migration to independent IT infrastructure following the divestment of brands, ahead of schedule and within budget.

Outlook

In the early part of the second half, City Chic has continued to deliver positive comparable sales growth, in line with expectations. There is no change to City Chic's prior guidance relating to FY19 capital expenditure of \$7m.

On 29 January 2019, City Chic announced employees will move from its existing Enterprise Agreement to the General Retail Industry Award (GRIA) with effect from 4 March 2019. City Chic considers the GRIA to be more appropriate for the business, and expects no material financial impact on the Group.

Additional Information

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

About City Chic Collective

City Chic Collective is a leading Australian multichannel retailer specialising in the plus-size (size 14+) women's apparel, accessories and footwear market. Its customer-led offer appeals to young, fashion-forward women. Lifestyle driven and accessible, the City Chic brand has a strong following in Australia and New Zealand, with a fast growing presence in North America and Europe.

City Chic's multichannel model comprises: a network of 104 stores across Australia/New Zealand; two websites operating in Australasia and USA; marketplace and wholesale partnerships with major US retailers such as Macys and Nordstrom; and a wholesale business with European partners such as ASOS, Evans and Zalando.

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