city chic collective

25th August 2022

City Chic Collective Limited FY22 Results

- Sales Revenue of $369.2m up 39.0%[1]; comparable sales growth (CSG)[2] up 25.5%
- Underlying EBITDA[3] of $47.1m up 11.3% vs FY21 representing a 12.8% margin
- Statutory NPAT of $22.3m up 4.7% vs FY21 with Underlying NPAT[4] of $28.5m up 14.5% vs FY21
- Global customer base up 30% vs FY21 to 1.4m active customers, with growth in all regions
- Global customer website traffic growth of 35% YoY to 78.6m visits[5]
- Online comparable sales growth of 33.8%, with 82% online penetration[6]
- Geographic diversification with 56% of revenue from Northern Hemisphere
- Partner business grown to $30m for FY22, $22m in the second half
- Strategic investment in inventory to manage global supply chain volatility and support continued revenue growth
- Acquisitions of European plus-size online marketplace Navabi (July 2021) and USA plus-size marketplace CoEdition (December 2021)
- Expanded funding flexibility with new $60m debt facility

City Chic Collective Limited (ASX: CCX) ("City Chic", or the "Group") today released its FY22 financial results for the 53 weeks ended 3 July 2022, 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:

"In FY22 we made considerable progress in delivering on our strategy to 'Lead a World of Curves' as we continue to build a truly global plus-size apparel business."

"We have continued to pursue our ambitious growth plans supported by an amazing group of people, and have adapted our business to overcome the challenges presented by the pandemic. We have entered new markets, secured several new partnerships, embedded new brands into the Collective, and expanded our customer base organically and inorganically including the acquisitions of Navabi and CoEdition. All in the pursuit of our goal to provide the best assortment of plus-size product to our customers all around the world."

"Our revenue CAGR in the 3 years from FY19 to FY22 was 35.2% and 23.7% for EBITDA, demonstrating how we have continued to grow strongly through a period of significant business disruption and uncertainty. During this time we strengthened our geographic and

[1] FY22 comprised of a 53 week trading period. The financial information in this announcement reflects the group's statutory results inclusive of the 53rd week. Unaudited estimate of impact: Revenue $5.4m, EBITDA $1.2m
[2] Comparable sales exclude Wholesale and Online Marketplaces and the recent acquisition of Navabi; excludes period of extended store closures due to Government-directed lockdowns; excludes Evans in 1H. Calculated on a constant currency basis (prior year re-stated at current year FX rate)
[3] Underlying earnings adjusted for net expenses of $5.7m, which include costs associated with the acquisition of Navabi and its integration into the business, costs associated with other acquisition opportunities, strategic review of Northern Hemisphere logistics as well as costs associated with the impact of additional on-costs incurred on the vesting of performance rights in FY22 and the outstanding performance rights and loan funded shares at the end of FY22 (net of a favourable impact from the forfeiture of long-term performance incentives in FY22). No adjustment for the non-cash long term incentive share-based payments expense of $0.7m in FY22 ($1.5m in FY21). Presented pre-AASB16
[4] As above; Underlying NPAT includes the impact on tax of the underlying adjustments
[5] Traffic to Online websites, excludes traffic to online marketplaces
[6] Online represents websites and online marketplace sales; based on last 12 months revenue to remove seasonality impacts

channel diversity, and this year the Northern Hemisphere contributed to more than half of our total revenue for the first time."

"We achieved this through remaining focused on our three strategic pillars of plus-size, digital and global customer acquisition. Since 2019, we have achieved customer growth CAGR of 53.6%, ending FY22 with 1.4m active customers globally, and an online revenue CAGR of 67.0%, with online sales penetration now at 82%.[6]"

"To support this growth and ensure sustained growth into the future, we established a sophisticated global distribution network through our own websites and a global partner network. This included diversifying our global supply chain into new sourcing regions and investing in inventory ahead of the curve. This investment will unwind in FY23 as accelerated inbounding reduces and we leverage new supply chain relationships. This will deliver strong free cash flows into FY23 which, along with our expanded debt facility, provides good funding flexibility to execute on our growth plans."

FY22 Results Review

In FY22 the business continued to deliver strong growth with revenue of $369.2m up 39.0% and CSG up 25.5%. We accelerated our growth in all regions post the April trading update with revenue up 37.1% on the prior corresponding period (PCP) since April 24th, with the USA exceptionally strong, up 64.1%.

FY22 saw strong growth in all regions:

- ANZ: Revenue was $161.8m, up 11% notwithstanding COVID related mandated store closures, and CSG up 13.9%. Stores were down 8.9% after losing 13.4% of trading days, although online continued its strong growth, up 27.5% following the introduction of the conservative product range
- Americas: Revenue was $162.4m, up 53.9% with organic growth in all channels. This was due to a combination of websites traffic being up 31% with 42% growth in customer numbers, along with strong partner growth
- EMEA: delivered sales of $45.1m and was profitable in 2H albeit at lower GM and EBITDA margin given its relative immaturity. Logistics issues were worked through in 2H after supply chain and logistics challenges impacted sales through to the summer trading period in the UK; with improvements implemented the focus is now on improving product supply into Europe to support the Group's European expansion.
- Partners: The partner business globally (included in the regions) saw substantial growth in 2H to deliver full year revenue of $30m. This growth demonstrates our product range and lifestyle mix across all our assortment has global appeal.

Underlying EBITDA of $47.1m was up 11.3% with an EBITDA margin of 12.8%. This compared to 16% in FY21 noting FY21 benefited from $10m in austerity measures and in FY22 ~$4m was lost due to COVID related mandated store closures in the first half.

The contraction in gross trading margin (excluding fulfilment costs) from 62.8% to 59.9% was largely due to the shift in geographic/channel mix, with a material increase in partner volumes globally which is EBITDA accretive but at a lower GM% and strong growth in the USA and EMEA which operate at a lower GM%.

Underlying Cost of Doing Business (CODB)[7] of ~47% of sales was in line with FY21 although FY21 benefited from COVID related austerity measures, demonstrating our ability to achieve operating leverage from our fixed cost base as we grow. 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.

[7] Cost of doing business includes fulfilment costs, advertising and marketing costs, employment expenses, occupancy costs and other costs

The investment in inventory resulted in a carrying value of $195.9m as at 3 July 2022 with our elevated inventory position supporting growth in FY22 and de-risking our supply chain exposure in FY23. As at period end 52% of this inventory was secured for sale in future periods and is seasonally relevant.

We are targeting $125-135m in inventory at the end of FY23 as we release the accelerated inbounding, sell through FY23 inventory and reduce forward orders accordingly.

As at 3 July 2022, our net debt position was $4m with $14m drawn under the $60m debt facility. In light of ongoing macroeconomic and consumer spending uncertainty, and in considering the company's capital allocation priorities, the Board has decided not to declare a dividend for FY22. Capital management decisions will be reviewed at the 1HFY23 result as working capital is released.

FY23 Update

Trading in the first seven weeks of FY23 has been broadly in line with the prior corresponding period, with a return to positive momentum through August.

Regional and channel performance for the YTD[8] is outlined below:

- AU stores are trading above expectations and ahead of last year given the impact of store closures in FY22.
- AU online was below last year in the first two weeks of July but has performed well since, trading above last year.
- The US market was volatile with the City Chic website trading above last year as better dressing demand remains strong and the Avenue website trading below last year but showing week on week improvements.
- The UK has continued to show growth and is cycling logistical issues in 1HFY22.
- The Partner business has continued to perform well across multiple geographies and is expected to drive incremental revenue growth through FY23.

FY23 Outlook

In FY23 City Chic expects to deliver another year of profitable growth notwithstanding ongoing global economic and geopolitical uncertainty. This is underpinned by City Chic's expanded market penetration across geographies and channels, category leadership globally and investment in its distribution infrastructure.

To hedge against anticipated promotional activity within the plus market globally, City Chic is leveraging its unique market position to implement, where appropriate, retail price increases to mitigate the risk of margin compression and to continue to grow market share.

City Chic expects inventory to normalise and is targeting $125-135m at the end of FY23, with strong cash generation delivering a positive net cash position in the second half.

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 AEST accessible via the following link:
https://webcast.openbriefing.com/8856/

[8] 7 weeks to 21 August 2022

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.

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