

city chic collective

ASX ANNOUNCEMENT

22 November 2023

City Chic Collective 2023 Annual General Meeting

Please find attached the following documents, which will be presented at the 2023 Annual General Meeting of City Chic Collective Limited, which commences at 10:00am (Sydney time) today:

1. Copy of 2023 AGM addresses
2. Copy of the accompanying presentation

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 better dressing plus-size women's apparel, footwear and accessories. Its omni-channel model comprises a network of 86 stores across Australia and New Zealand (ANZ) and websites operating in ANZ, the USA, and third-party marketplace and wholesale partners in Australia, New Zealand, USA, Canada.

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Chairman's Address

I want to begin by acknowledging that the past eighteen months have been a very challenging period for City Chic and its shareholders. The performance of the business and the share price are clearly utterly unacceptable.

As shareholders will know, inflationary conditions and the resulting interest rate rises have materially impacted our customer demographic. She is battling high mortgage repayments and skyrocketing food, fuel and electricity prices. We have seen demand impacted and customer price sensitivity beyond anything our business has seen before, including during the global financial crisis. Shareholders may have noticed a recent article in the Australian Financial Review which stated the Australian disposable income has moved negatively at a greater rate than any other developed economy over the past year. These are challenging times for retail businesses.

As has been well documented, we bought additional inventory to protect us from the supply chain disruption and inflation caused by covid 19 at a time when City Chic was recording record sales. We thought this was the right risk-adjusted decision. In hindsight, with inflation of basic household items persisting well beyond what most experts were predicting, this was the wrong decision, and the past year has seen us unwinding the inventory through promotion and margin contraction. In accepting accountability for the business performance and the resulting share price, last February the Board volunteered a twenty percent reduction in fees. Today, in acknowledgment of the ongoing weakness in performance and share price, all Board members are reducing their fees by a further twenty percent.

Having dealt with the current difficult economic environment and the last 18 months of underperformance, I now want to focus on the future. And the future looks a lot brighter for City Chic. Let me touch upon some of the key points.

First, we all but completed the rightsizing of the inventory in the first quarter of this financial year, and inventory is now at levels that reflect demand. Phil will provide details in his presentation. I am pleased to say, we are now ready to move the business back to profitability and expect this to occur in the second half of this financial year.

In August, we announced the results of the strategic review we undertook, and the actions being taken to reshape the business to fit with, and trade successfully in, the current global economic environment. The key actions were:

- First, the sale of the UK business to focus on the opportunities in Australia and the USA. It is worth mentioning that City Chic has been trading successfully in Australia for 18 years and in the USA for 13 years.
- The second key action was to refocus on what has been the hallmark of City Chic's success for two decades, namely, intimate knowledge of the plus size market and customer and through this, creating an emotional connection with Her. Many retailers offer 'size inclusive' apparel but it is limited in range, quality and fit. City Chic focuses exclusively on the plus size customer. Phil will talk to this in more detail, in particular the focus on higher value, higher margin products and customers.
- The third key initiative was to simplify the business model and drive down the cost base to enable us to trade through the current difficult economic conditions.

We have made good progress on all these initiatives. Phil will provide the detail, but I'm pleased to report:

- With the right sizing of inventory we now have considerably more 'newness' in stores and online. These products are selling through well and at good margins. She hasn't left us; our brands are still strong; she is still buying; but with less free cash, she is more selective.
- Cost savings are in excess of what we announced in August. Headcount savings are running \$3m better than the \$6m plan. Annualised logistics costs have been reduced by \$7m through warehouse consolidation, and additional annualized savings have been renegotiated with suppliers to assist us achieve our target of fulfillment costs of 19% of revenue. We have also achieved operating cost savings of \$2m.

These are considerable achievements and put us firmly back on the path to profitability.

That said, with geopolitical risks adding to economic uncertainty and continuing pressure on households in our customer demographic, we believe we have to continue to monitor demand, sales and margin very closely in the traditionally strong period through to Christmas. We are committed to taking whatever steps are necessary to ensure our business model remains sustainable, and that we have a cost base which is appropriate for the revenue we are able to generate.

In the meantime, our balance sheet continues to have the capacity to fund the business without the need for additional debt or other funding, and we continue to enjoy the support of our bankers. In the current circumstances no dividend was declared. As the business performance and our capital position improve, this will be reviewed.

Phil will provide you with an update on trading and outlook. As shareholders will know, we are entering the busiest trading months of the year. These will give us a good read on our renewed product and customer strategy. The signs are positive thus far with sales and margin in the second half of October and for the first three weeks of November tracking slightly ahead of where we thought we needed to be.

I want to acknowledge the determination and unflagging efforts of the City Chic team. After many ongoing years of success, it has been difficult to accept the failures of the past 18 months. That notwithstanding, the team did not stop striving throughout our 'annus horribilis' and has taken some hard decisions in resetting the business to survive and prosper in challenging times.

I also want to acknowledge the efforts of the Board. The Board met 25 times through the financial year and had an additional 8 committee meetings. The board has already met 13 times this financial year and committees 4 times. Additionally, there have been many informal meetings with the management team as directors rolled their sleeves up and assisted, where they could, in the reconfiguration of the business.

Finally, I want to acknowledge you, our shareholders, who have borne the financial brunt of the past 18 months. As I mentioned in opening, our performance and that of the share price are unacceptable. I hope I have demonstrated that we have taken responsibility for our situation and have actively taken steps to right the ship and restore City Chic to its rightful place in the retail sector. In summary, it's early days but revenue and margin are recovering, and costs are under control. As the year unfolds, we will continue to report on our progress.

It is now my pleasure to introduce our CEO Phil Ryan to present his review of FY23, an update on current trading and operations and the outlook for the balance of FY24.

CEO Speech

Thank you, Michael and Good Morning Ladies and Gentlemen. I would like to add my welcome to you all to the 2023 AGM.

FY 23 was a year of consolidation for City Chic, our focus was on right sizing the inventory and bringing the business back to a positive cash position in what was a challenging environment. We have done that successfully, albeit at the cost to profitability.

We undertook a strategic review focused on our online and international businesses to assess the best way to return to profitable trading. This was a thorough process which included the assistance of external advisers and confirmed two key points.

Firstly, that the opportunity in Australia and the USA is substantial and that we will optimise our returns by focusing our efforts in these markets. This led to the divestment of the European business.

Secondly, we need to go back to what made us great, by focusing on three key areas of our business, our customer, our product, and our operating model.

In the past we prided ourselves on the emotional connection we had with our customers and this was key to driving strong customer loyalty. We are returning to this, by reinvigorating our ranges and listening to her through our multiple touch points.

We have already simplified our business model and are further driving down costs to right size the operation so that we can be agile for all demand scenarios and through economic cycles. This is an ongoing process and as Michael said, we are committed to taking whatever steps are necessary to ensure our business model remains sustainable, and that we have a cost base which is appropriate for the revenue we generate.

As disclosed to the market, we made the decision to accelerate the inventory sell down into the first quarter of FY24 to ensure we had relevant products in our core markets ready for the key trading period of black Friday and Christmas.

As a result, the 19 weeks of FY24 has been a further period of transition as navigate what remains a volatile market and implement our strategic initiatives, especially in the USA. This will set us up to be profitable in the second half.

Revenue was down 15.8% excluding the 53rd week of trading, however, was up 7% on FY21, outlining the strong performance in FY22. The underlying EBITDA loss of \$24m includes \$22.3m in inventory provisions and write downs.

While I am not going to dwell on FY23, I do recognise that the performance of the business was clearly unacceptable and that shareholders can expect a significant improvement over the course of FY24 and beyond. FY23 was a year of balance sheet action that delivered a more commercial inventory level in the continuing business at \$53.8m, well ahead of our target of \$100m.

With the inventory release, we delivered a cash balance at the year-end of \$10.9m with strong operating cash flows of \$29.8m for the total business. Accordingly, we adjusted our banking facility with new

liquidity-based covenants in line with the business's future needs.

Customer numbers at year end were around the 1m mark, with Australia gaining 4% in FY23, however average spend was down reflecting the softer economic conditions. Importantly, she has not left us, she has just pulled back her spend and this trend has continued in FY24. The USA saw a decrease in customer numbers, however an increase in spend as we have maintained our core customer.

With that I will move on to the work we have done around the strategic review and the outcomes which will steer us back to profitable trading in 2H this year.

The strategic review confirmed that there is a large addressable market in plus-size that is growing. The USA is now a \$54 billion market with strong future growth prospects, and within that, the channel we play in is the USA plus size online market, which is \$6 billion. This is projected to grow at 7.2% CAGR between now and 2030. The Australian market, where we are the major player at almost 20% market share, is expected to double by 2030, so there is a lot of runway for us to grow.

The review also found that for specialty plus size apparel retailers to be successful, they need to offer fit and styling expertise for Her body. This is something that has always been a strength for our business.

Our strategic review involved extensive market research. The results of this process delivered us a path that I know we can execute on.

We need to be an agile, better dressing business with an emotional connection to Her. Focusing on City Chic lifestyle and pricepoint products while adding elevated casual lifestyle extensions from our product learnings, especially from Avenue. We also need to simplify our business and reduce our operating costs.

The return to profitable growth is underpinned by three pillars – each with measurable targets:

The first is to amplify our emotional connection with Her. We have always put Her first, but with the focus on clearing inventory we put the needs of the business first and have now returned to focusing on Her.

I know we can turn that around with good new product. We have known her for years and really understand who this customer is and how to talk to her. We need to continue to listen to her and anticipate her evolving needs in fit and styling.

We are targeting our core customer who is currently 45% of our base and our market research tell us she has attractive economics with higher sell prices and order value.

In October over 65% of new customers were our target customer, which shows that as we shift the product mix we will build on this base.

In the USA we are transitioning our customer base and have moved on a lot of the low value one-time customers that shopped in FY22 and FY23 when we had a different product offering. We are confident of getting back to our core customer as we shift product mix into the second half.

Our key metric of average order value has shown strong improvements in October and November and is ~10% above last year.

The second Pillar is to revitalise our range and deliver product that delights Her, focusing on high value product. This does not mean raising prices, it is a shift in mix away from low value categories such as sleep wear and into dresses and shifting the dress assortment to more affordable styling to align with economic conditions.

We are simplifying our range to be around 3,000 to 4,000 products on our sites, from 8,000 plus, that will talk to a higher value City Chic lifestyle that I outlined earlier.

In Australia this has historically been our strategy, and is completed now in stores, with online requiring further assortment reshaping in H2.

It is more of a change in the USA, however almost half of our sales are with the City Chic product and half of our Avenue website customers have already purchased a City Chic lifestyle garment, and City Chic represents the majority of partner demand, outlining our historical success with this strategy.

We are creating products that increase sell price and deliver a better margin with our target to get to 60% GM and to be on 3 stock turns excluding stock in transit. We are starting to see margin improvements as planned into October and November.

In this next slide I am trying to bring the assortment changes to life.

The first box shows the classic City Chic product that has driven our success for many years, This is what we know resonates with our customers in the USA and Australia.

The second box shows the targeted additions to our range that come from the learnings of what she sees value in from Avenue in the USA and that has been successful in the Australian business as well. This is a more elevated casual lifestyle with a greater trend focus that makes her feel good, not just cloth her, and this drives the connection.

You can see in the third box in red where we are cutting the range and how we drove the customer to the functional purchase that was in high demand during the pandemic, especially in the USA. We have achieved the rationalisation in Australia and the USA will complete in the second half.

The third pillar is to simplify the business and reduce the costs and, in this area, we have achieved a lot already. With the exit of EMEA we have materially simplified the operating model. We have streamlined the supply chain, reducing origins from 7 to 3 and factories from 101 to 61 with more consolidation expected in the next 12 months, and now have 2 global warehouses down from 12. We are also trading in 3 countries where we were in 6, and this is how we deliver the agility.

We are back to a culture of cost containment, where our key focus is delivering a quality garment at a great price, through having an efficient business model that can drive lower prices and costs to increase margin. We have a focused fulfilment strategy and have already delivered fulfilment at 20% of revenue in FY23, targeting 19% for FY24.

At the results in August, we said that including this fulfilment reduction we would target an annualised \$15m in cost savings. We announced a \$6 million annualised saving to wages, and as Michael stated earlier we have already implemented a further \$3m in annual savings. This takes total savings already achieved to \$18m on an annualised basis.

Since the results in August, we have re-negotiated the major warehouse contracts to align with demand, saving over \$8m annually to achieve our 19% target with reduced demand. Savings are phased in over the next 10 months.

We will also manage our marketing spend to 7% of sales.

This is our path back to profitability and provides a platform from which we have successfully run our business for many years. This is an ongoing strategy and we will do whatever is required to adjust our operating model with demand. We have taken the actions needed to ensure the future success of the company.

Moving to the trade update.

In August we said that in the first quarter we would be accelerating the clean down of inventory and that this would impact Q1 revenue and margin.

The inventory is clean in Australia and while we still have work to do in the USA our inventory levels are in a much better position and we will continue to transition our assortment into the second half.

In the first quarter, as a result of this strategy to clean our inventory, revenue was down 32% and margin was down 12.2 percentage points on last year. In Australia revenue was down 36% off a very strong pcp, and in the USA revenue was down 26.8%.

The good news is our strategy is starting to gain traction and we have seen a strengthening in revenue in the second quarter with the new ranges performing well in the current environment. Revenue is down 29% on pcp, however November to date is down 22% and is showing weekly improvements as we head into the important Black Friday and Christmas period.

Some highlights include:

- Our comparative full price stores have improved through the quarter to be 12% down in revenue, with the new product performing well. Gross margin is above pcp and 10 percentage points above the lows of July this year;
- In November to date, USA sales are 13% below pcp and are improving through the holiday period, driven by increased promotional activity;
- Gross margin Q2 to date is trading above last year and we are on track to reach our 60% target into the second half; and
- Our average order value is ~10% up year-on-year and at a product level we are seeing the impacts of our more focused range with improvements in sell through.

While market conditions remain uncertain, we expect to be trading profitably in the second half of FY24 as we see the benefits of these strategic initiatives emerging along with our cost out program.

The revenue and margin trend in the second quarter gives me confidence that sales will be where we need them at the peak times and that we are on track to achieving our financial targets, including being cash positive at the end of FY24.

I am very optimistic about the future for City Chic and have the right team around me to make sure we execute on the key pillars I have outlined today, which will set us on a path to profitability.

I want to thank our team for all your hard work this year, we are a resilient group of people that cares

about our customer.

To the Board, I would like to say that your ongoing support for the team and for going above and beyond to help through the challenges we faced together in FY23.

To our customers globally, I know that times are challenging for you right now, and we are doing everything to make you feel your best in store and online with great products.

To our shareholders, thanks for the support over what was another volatile year.
I will now hand back to Michael.

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LEADING A WORLD OF CURVES

2023 ANNUAL GENERAL MEETING

22 November 2023



CHAIRMAN'S ADDRESS

Michael Kay

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CEO'S ADDRESS

Phil Ryan

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FY23 HIGHLIGHTS

Results reflect a challenging environment and right sizing inventory

GLOBAL SALES

\$268.4m

(17%) vs FY22
7% vs FY21

GLOBAL
TRAFFIC³

49.9m

(16%) vs FY22
(2%) vs FY21

INVENTORY

\$53.8m

(73%) vs FY22

UNDERLYING
EBITDA⁵

(\$24.0m)

ACTIVE
CUSTOMERS²

0.97m

(12%) vs FY22
2% vs FY21

ONLINE
PENETRATION⁴
(LTM)

76%

(3%) vs FY22
4% vs FY21

NET CASH

\$10.9m

273% vs FY22

NPAT FROM
CONTINUING
OPERATIONS⁶

(\$45.0m)

- Revenue, cycling a strong PCP, was down 15.8% on FY22 adjusting for the 53rd week, up 7% on FY21.
- FY23 focus on inventory right sizing and returning to positive net cash position
- Strategic review to determine most efficient pathway to return to sustainable, profitable trading
- Early FY24 trading impacted by market conditions and residual clearance activity
- Expect to return to profitability in H2 FY24

CLEAR MARKET OPPORTUNITY



Global women's plus size clothing market worth USD196b in 2022¹

Projected CAGR 6.0%¹



USA online market for specialty plus size is USD6b¹

Online Projected CAGR 7.2%¹



City Chic has a market-leading omni-channel position in ANZ

ANZ women's plus size clothing market worth USD740m¹

Projected to double by 2030¹

	Description	Mainstream inclusive	Discount retailers	Marketplaces	Specialist plus size
Examples		SHEIN H&M OLD NAVY	Walmart Target Kmart	amazon THE ICONIC ebay	city chic taking shape TORRID FASHION FOR SIZES 10 TO 30
Brand	<ul style="list-style-type: none"> Strong Brand value that drives customer loyalty 	●	◐	◐	◐
Experience	<ul style="list-style-type: none"> Product (fit & style) and emotional connection. 	◐	○	◐	●
Low price	<ul style="list-style-type: none"> Comparative advantage of low retail price 	◐	●	◐	◐
Frictionless	<ul style="list-style-type: none"> Personalisation Convenience 	◐	◐	●	◐

We operate in an attractive market and have significant headroom for growth in the USA and ANZ

THE PATH TO PROFITABLE GROWTH

As a result of the strategic review, we are renewing our focus on our core customer and product, simplifying the business and reducing costs

1

Amplify our focus on Her, forging genuine emotional connections

Put Her first: leverage our rich customer understanding developed over many years of connection.

Target our more valuable customer with attractive customer economics.

Deliver products She sees value in that fit, exceed expectations and make Her feel amazing.

Continue to listen and anticipate the evolving needs of HER.

Increase AOV, retention and profitability
Focused marketing investment

2

Revitalise product assortments, focusing on higher value product

Simplify range and focus on high-value and fashionable styling.

Deliver newness to drive customer engagement.

Disciplined assortment management and shorter lead times.

Creating styles that increase average sell price and deliver a better margin.

Targeting 60% gross margin
Targeting 3 inventory turns

3

Simplify the business and drive down costs

Focus on attractive core markets.

Streamline the operating model.

Simplifying our supply chain.

Drive down operating costs.

Create a culture of cost containment focused on delivering a quality garment at a great price.

\$15m¹ annualised cost saving,
Targeting Fulfillment costs of 19%

A MORE TARGETED RANGE

Focus on the product categories and lifestyles that matter to Her that drive a higher retail price

Build on our strengths



Better day and event wear,
especially dresses

Targeted additions



Elevated casual with greater trend focus,
to deepen emotional connection

Intentional rationalisation



Reduce focus on less emotive, low price products, in
competitive markets

Resulting in a reduction in style option count from ~8-9k to ~3-4k

SIMPLIFY THE BUSINESS

Reducing operating costs to deliver sustainable and profitable growth

Streamline operating model

- 1 **Increase ability to rapidly respond** to our customer
- 2 **Material reduction in options** with unified global range based on City Chic elevated price points.
- 3 **Support office headcount reduction** of 35%
- 4 **Streamlined supply chain** by reducing origins (7 to 3) and destinations (6 to 2)
- 5 **Consolidated factory base** (101 to 61)
- 6 **Executed reduction in warehouses** (12 to 2)

- **We have delivered an operating model that can be profitable at lower revenue levels as we annualise all of our cost initiatives.**
- **Implemented a further \$3m in wages savings to the \$6m outlined in at results.**
- **Achieved \$18m in annualised cost savings**
- **Negotiated the major warehouse contracts to align with demand saving over \$8m on fixed costs annually to achieve our 19% target. Savings are phased in over the next 10 months.**
- **Managing marketing to ~7% of sales.**

\$18m

Annualised cost savings.

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1. Targeted annualised savings based on current run-rate expected to commence in H2 FY24,
2. Targeted annualised savings from the continuing operation (excludes EMEA) pre inflation noting that savings commenced in Q4 FY23

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TRADING UPDATE &
OUTLOOK

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FY24 TRADING UPDATE

Early indications of revenue improving and costs under control

TRADING FOR THE 20 WEEKS TO 19th November

Q1

- Strategy to clean inventory through Q1 impacted revenue (down 32%) and margin (down 12.2) percentage points to pcp.
- Australia revenue down 36% off a very strong pcp.
- USA revenue down 26.8%.

Q2 To Date

- Strengthening with the new product improving sell through: revenue down 29% pcp, however November to date down 22% pcp.
- Comp full price stores improving, down 12% with the new product performing very well and margin above pcp and 10 pp above July low point.
- In November USA sales are down 13% on pcp and improving through the holiday period, driven by promotional activity.
- Group gross margin above pcp and on track for the 60% targets into 2H.
- Group average order value up ~10% on pcp supported by new ranges.

FY24 TRADING OUTLOOK

Navigating economic headwinds

FY24 OUTLOOK

- > Market conditions remain uncertain
- > Expect to trade profitably in H2 FY24 as benefits of strategic plan are realised¹
- > Cost out implemented in H1 and will review cost base in line with revenue on an ongoing basis.
- > Revenue trend in October and November giving confidence into Black Friday and Christmas periods.
- > Targeting 60% gross margin and fulfilment cost of 19% into Q4
- > Targeting 3 stock turns² and cash expected to remain positive at FY24 year end

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