city chic collective

1H FY19 RESULTS

26 Weeks to 30 Dec 2018

EXECUTIVE SUMMARY

- Strong 1H19 result with 9.6% comparative sales growth and Underlying EBITDA growth of 22%
- Fully franked dividend of 5cps
- Significant growth opportunities for the business
  - ANZ: online lifestyle and range extensions, an expanded store footprint and enhancing all customer touchpoints
  - International: continuing growth through our multi-channel digital strategy
- Attractive investment proposition
  - High margins and strong cash generation
  - Excellent shareholder returns
  - Relatively low ongoing capital requirements
  - Positive growth outlook, backed up by track-record of consistent performance

CONTENTS

1

INTRODUCING CITY CHIC

CITY CHIC COLLECTIVE

OUR VISION

LEADING A WORLD OF CURVES

city chic

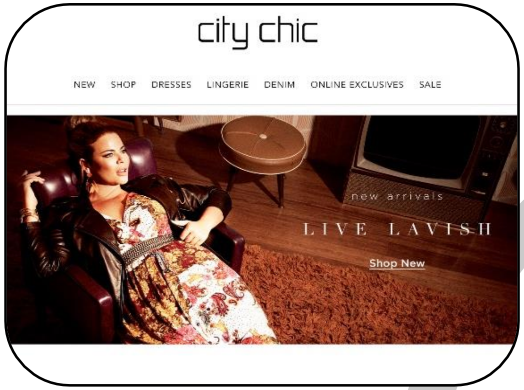
Brand

BOLD	SEXY	GLAM	CHIC
We Are Fearless	We Fit for Confidence	We Are a Sisterhood	We Create Unique Experiences

- City Chic is devoted to serving our curvy, fashion-forward customer and making her feel sexy and glam
- Longstanding executive team[1] who understands our customer
- Plus size is an underserved segment; fastest growing of retail apparel market

1. Average time with the company is approximately 9 years for the Executive Leadership team.

LEADING OMNI-CHANNEL RETAILER



ONLINE ***CITY CHIC***

STORES

Customer-centric approach

Understand customer wants and spending behaviour

Well presented and consistent customer touchpoints

Align team incentives across channels

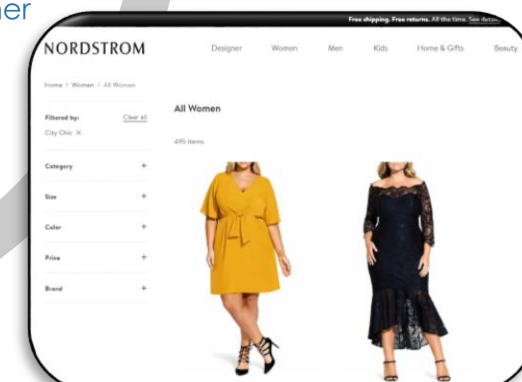
Broader ranges to better serve our customer

Maintain nimble and responsive supply chain

WHOLESALE[1]

macy's, NORDSTROM, amazon, STITCH FIX, Gwynnie Bee, Dia & Co, ADDITION ELLE, asos, EVANS, zalando

ONLINE ***MARKETPLACES***[2]



1. Partners own the product and fulfil the sale (store and/or online depending on partner).
2. CCX feed product via partners' platform, CCX owns the product and fulfils the sale.

2

1H FY19 RESULTS OVERVIEW

1H FY19 FINANCIAL HIGHLIGHTS

Strong top line growth, higher margins

- Comparable sales growth of 9.6%
- Gross margin of 60.4% vs 59.4% pcp
  - Reduced discounting to achieve higher sell prices
  - Improved buying discipline, category and channel mix
  - Strong margins in both ANZ stores and online
- 1H Underlying EBITDA of $15.8m vs $13.0m in pcp (22% growth[1])
- 1H Continuing Operations NPAT of $9.9m (EPS of 5.1 cents)

Strong cash flow, well capitalised

- Net cash position of $35.5m vs net cash of $16.1m at July 2018
- Debt facility fully repaid in July 2018; new $15m facility undrawn

Dividends recommence

- Fully franked interim ordinary dividend of 2.5cps[2]
- Fully franked special dividend of 2.5cps[2]
- Maximum dividend payout to extent distribution can be fully franked

$75m Global Sales 1H19

$15.8m Underlying EBITDA 1H19

9.6% Comp Sales Growth[3]

21.0% Underlying EBITDA Margin

60.4% Gross Margin

19.7% Underlying EBIT Margin

$35.5m Net Cash

5cps Fully Franked Dividend

1. Like-for-like earnings growth is higher given two additional trading days in the reported prior corresponding period.
2. Franking credit balance of $49.5m as at 30 December 2018.
3. Excludes wholesale. From FY19 annual results onwards, CCX will be reporting comp sales excluding partner sales (Wholesale and Marketplace/Dropship).

1H FY19 OPERATIONAL HIGHLIGHTS

Strong momentum across all channels, regions

- Online represents 40%[1] of total sales (29% growth vs pcp)
  - Strong growth for ANZ and US website, expanded online exclusive range and customer experience improvements
  - Online is the most profitable channel
- Store revenue higher on LFL basis[2], significant improvement in GM%
  - 8 Myer concessions closed (earnings neutral), 5 new standalone stores
  - 2nd large format store opened, trading ahead of expectations
- Wholesale positive revenue growth, 5% total sales

Online, cost focus delivers margin improvement

- Cost of Doing Business (CODB) reduces to 39.5% of sales (40.9% in pcp)
  - Increased contribution from lower cost online channel
  - Tight cost controls at head office and in stores
  - Exit from less profitable concessions and loss making stores

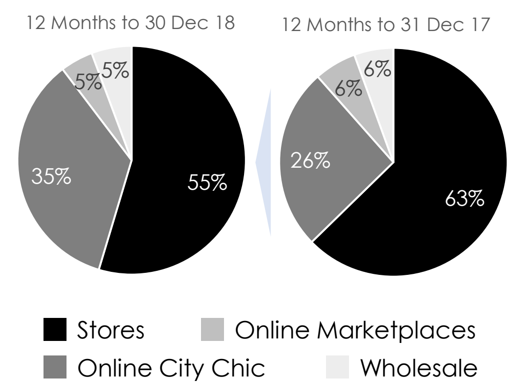
Successful transition to standalone business

- Moved to standalone IT infrastructure ahead of schedule
- ANZ online platform integrated with USA platform

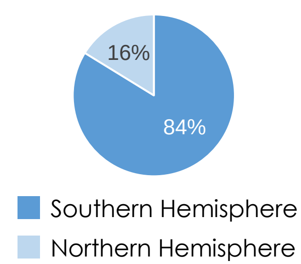
104 Stores[3]

375K Active Customers

Channel: Contribution



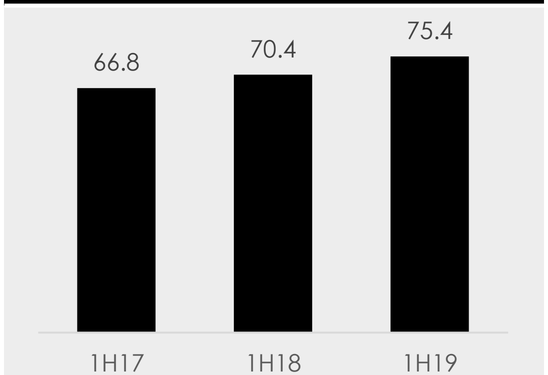
Region: Contribution[4]



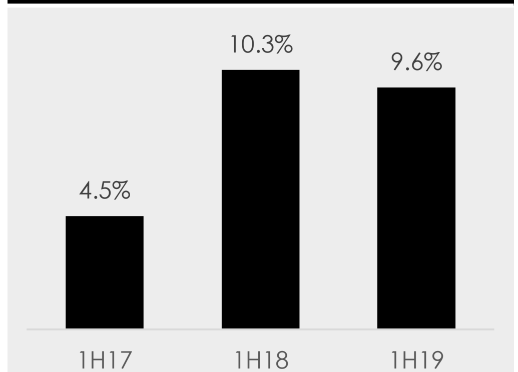
1. Includes City Chic website and Online Marketplace sales.
2. 1H18 included sales from South African stores, USA stores and select ANZ stores, which were closed in FY18.
3. 104 stores in total as at December 2018; 99 standalone stores (89 in Australia, 10 in New Zealand) and 5 Myer concessions.
4. Territory breakdown based on 12 months to 30 Dec 18.

TRACK RECORD OF DELIVERING CONSISTENT GROWTH

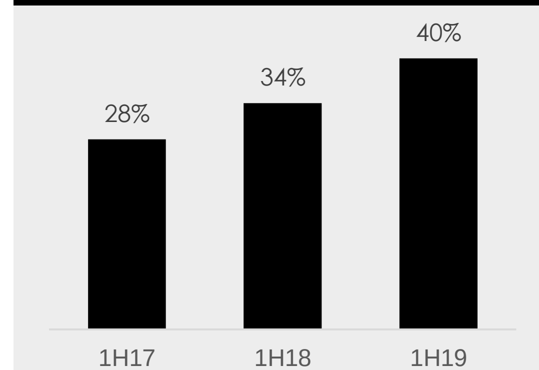
SALES ($m)[1]



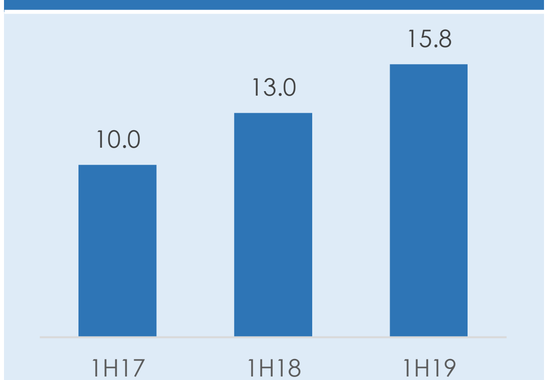
COMP SALES GROWTH[2]



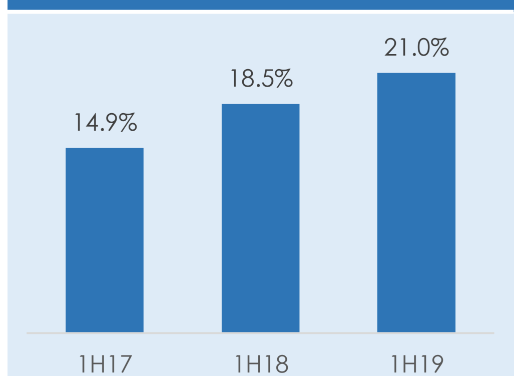
ONLINE SALES PENETRATION[3]



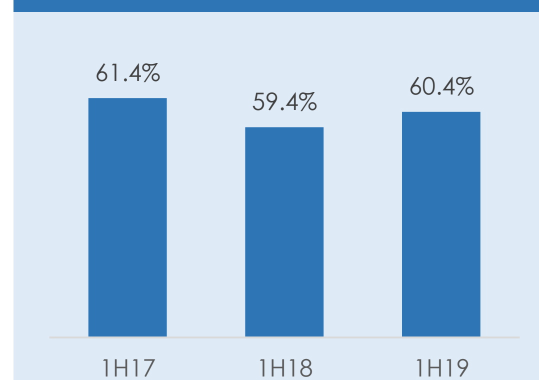
UNDERLYING EBITDA ($m)[1]



UNDERLYING EBITDA MARGIN



GROSS MARGIN %



1. 1H FY19 has 2 less trading days than 1H FY17 and 1H FY18.
2. Excludes wholesale.
3. Online sales represent City Chic website and Online Marketplace sales.

3

1H FY19 FINANCIALS REVIEW

1H FY19 RESULTS OVERVIEW

FINANCIAL PERFORMANCE

Sales Revenue
$75.4m

- 9.6% CSG[2]
- 40% online sales

Gross Profit
$45.6m

- Improved margin to 60.4% vs. 59.4% pcp

EBITDA[1]
(Underlying)
$15.8m

- 21.0% Margin
- CODB % of sales decreased to 39.5% from 40.9% pcp

EBIT[1]
(Underlying)
$14.8m

- 19.7% Margin
- Relatively low ongoing capital requirements

NPAT: Continuing[1]
(Reported)
$9.9m

- Strong NPAT result for City Chic business
- EPS of 5.1 cents

NPAT: Group[3]
(Reported)
$10.1m

- Limited earnings impact of discontinued business
- EPS of 5.3 cents

FINANCIAL POSITION (30 Dec 18)

Net Cash
$35.5m

- Strong cash flow generation
- Debt fully repaid
- Well capitalised

Inventory
$15.2m

- Disciplined buying and controls
- Stock clean

1. Continuing operations excludes brands sold to Noni B on 2 July 2018.
2. Excludes wholesale.
3. Group NPAT represents NPAT from continuing and discontinuing operations. There are only transaction related adjustments in discontinued operations; there is no operating revenue or expense in FY19.

FINANCIAL PERFORMANCE

A$m	1H FY18	1H FY19
Continuing: Underlying		
Sales Revenue	**70.4**	**75.4**
Revenue Growth vs PCP	*5.4%*	*7.1%*
Comparable Sales Growth[1]	*10.3%*	*9.6%*
Gross Profit	**41.8**	**45.6**
Gross Profit Margin	*59.4%*	*60.4%*
Underlying CODB	**28.8**	**29.8**
Underlying EBITDA	**13.0**	**15.8**
Underlying EBITDA Margin	*18.5%*	*21.0%*
Underlying EBIT	**11.8**	**14.8**
Underlying EBIT Margin	*16.8%*	*19.7%*
Group: Reported		
NPAT: Continuing		9.9
NPAT: Discontinued		0.3
NPAT: Group		**10.1**

- Strong comp sales growth despite cycling high growth in prior period; driven by more full price sales and strong online performance
- Top-line sales growth impacted by closure of loss making stores in South Africa and Australia in 2H18, and US stores in Sep 2017
- Support office costs in line with expectations for the standalone business
- Earnings margin improvement driven by growth in online, tight cost control and exiting less profitable stores and concessions
- Strong EBIT margin driven by relatively low capital requirements
- NPAT from discontinued operations represents transaction related adjustments

1. Excluding wholesale sales.

CASH FLOW

A$m	1H FY18	1H FY19
Continuing		
Receipts from customers	76.6	82.2
Payments to suppliers	(62.2)	(90.2)
Interest and other revenue	(1.0)	0.2
Income taxes	(0.3)	(1.0)
Operating Cash Flows	**13.1**	**(8.7)**
Capex	(0.8)	(3.5)
Sale proceeds	-	31.1
Investing Cash Flows	**(0.8)**	**27.6**
Repayment of borrowings	(19.3)	(12.9)
Financing Cash Flows	**(19.3)**	**(12.9)**
Increase/(Decrease) in Cash: Continuing	**(7.0)**	**6.0**

- Normalised operating cash flow of $14.6m in 1H FY19; adjusted for "one-off" shortening of trade creditor terms whilst new trade facility being implemented and outflows associated with the divested brands, the transaction and the transition[1]
- Interest income earned on net cash position
- Capex primarily relates to IT outlays to transition to a standalone system and network, the new store roll-out and enhancements to the existing store portfolio
- Sale proceeds of $31m received for sale of brands to Noni B, prior to completion adjustments
- Debt facility fully repaid in July 2018
- Interim ordinary dividend of 2.5cps and special dividend of 2.5cps declared ($9.6m in aggregate); to be paid on 19 March 2019

1. 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 $25 million disclosed at the full year FY18 results.

FINANCIAL POSITION

A$m	31 Dec 17	1 Jul 18	30 Dec 18
Cash and cash equivalents	27.7	28.9	35.5
Inventories	81.9	15.8	15.2
Other	11.3	4.2	6.0
Assets held for sale	-	125.1	-
Current Assets	**121.0**	**174.0**	**56.7**
Property, plant, equipment	51.0	6.7	8.3
Intangibles	24.0	10.1	12.0
Other	8.6	5.3	7.3
Non-current Assets	**83.6**	**22.1**	**27.6**
Total Assets	**204.6**	**196.1**	**84.3**
Trade and other payables	103.7	44.3	20.6
Provisions and Other	37.7	7.9	11.4
Liabilities held for sale	-	91.8	-
Current liabilities	**141.4**	**144.0**	**32.1**
Borrowings	6.4	12.9	-
Provisions and Other	10.7	2.2	4.0
Non-current Liabilities	**17.1**	**15.1**	**4.0**
Total Liabilities	**158.5**	**159.0**	**36.1**
Net Assets	**46.0**	**37.1**	**48.2**

- 30 December 2018 presents post-transaction standalone balance sheet for CCX
- 1 July 2018 presents divested brands as held for sale and 31 December 2017 presents pre-transaction SFG group
- Strong cash position of $35.5m and no debt
- Declared interim and special dividend to be paid in March 2019; not recognised in liabilities as at 30 December 2018
- Debt facility fully repaid in July 2018 from divestment proceeds; facility in place until February 2021 with $15m capacity
- Post 1 July 2018, transaction settlement and separation related payments are primary drivers of the reduction in payables, as well as shortening of trade creditor terms whilst new trade facility being implemented
- Ongoing discipline and control around inventory and buying

4

STRATEGY OVERVIEW

CAPITALISE ON DOMINANT ANZ MARKET POSITION

Significant opportunity to grow through lifestyle and range extensions, an expanded footprint and enhancing all customer touchpoints

- Women's plus size apparel market in ANZ is estimated to be 1.0bn[1]; City Chic has ~10% share
- Major growth opportunity in online, the most profitable channel
  - Lifestyle extensions to grow market share
  - Broader product range through online exclusives
  - Enhance customer experience – global website platform upgrade underway[2]
- Accelerate new store roll-out program, focused on returns and payback
  - Identified 30 new locations with attractive demographics, supported by existing online sales
  - 5 stores opened in 1H FY19, additional new sites agreed for 2H FY19
  - Approximately 20 higher-performing stores earmarked for larger format; significantly improved in-store customer experience and strong economics
- Enhance how we communicate with our customer
  - New email platform implementation underway[3]
  - Launching new CRM to enhance customer insights and predictive modelling

1. Based on IBISWorld Industry Report.
2. Increased site speed, search engine optimisation (SEO) and conversion.
3. More targeted communications, behavioural learnings and customer journeys.

CONTINUE TO GROW INTERNATIONAL PRESENCE

Exploring optimal growth avenues with a focus on owning the customer

- Significant opportunity in North America and Europe: >$50bn women's plus size apparel market[1]
  - Focused on initiatives that drive profitable growth
- Priority is to grow City Chic website in the US, the most profitable channel in Northern Hemisphere
  - Targeted customer acquisition
  - Offer new lifestyles and broader range
  - Improve customer experience through global website enhancements and optimised fulfilment
- Maintain high profile partners, which drive brand and product awareness
- Exploring new disruptive retail models and collaboration opportunities

1. Estimate based on data from The NPD Group, PwC and Verdict.

FY19 OUTLOOK

- Positive comparable sales growth in early H2 FY19, in line with expectations
- No change to capex guidance of $7m
- Significant growth runway in ANZ
- Continue driving profitable growth in the US

APPENDIX

EARNINGS RECONCILIATION

A$m	Continuing		Discontinued		Group	
	1H18	1H19	1H18	1H19	1H18	1H19
Underlying EBITDA	**13.0**	**15.8**	**5.4**	**-**	**18.5**	**15.8**
Depreciation & amortisation	(1.2)	(1.0)	(12.5)	-	(13.7)	(1.0)
Underlying EBIT	**11.8**	**14.8**	**(7.2)**	**-**	**4.7**	**14.8**
Net Interest expense[1]	(1.0)	0.2	-	-	(1.0)	0.2
Underlying NPBT	**10.9**	**15.0**	**(7.2)**	**-**	**3.8**	**15.0**
Impairment of stores (closure)	-	-	2.4	-	2.4	-
Restructuring costs	-	-	(1.8)	-	(1.8)	-
Store exit costs	-	-	(1.1)	-	(1.1)	-
Employment incentive payments	-	-	1.4	-	1.4	-
Transition costs	-	(1.1)	-	-	-	(1.1)
Transaction-related adjustments	-	-	-	0.4	-	0.4
Underlying Adjustments	**-**	**(1.1)**	**0.8**	**0.4**	**0.8**	**(0.7)**
Reported NPBT	**10.9**	**13.9**	**(6.3)**	**0.4**	**4.6**	**14.3**
Taxation		(4.0)		(0.1)	(1.5)	(4.2)
Reported NPAT		**9.9**		**0.3**	**3.1**	**10.1**

1. Group net interest expense allocated to continuing operations.

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