

city chic collective

ASX ANNOUNCEMENT
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24 July 2020

City Chic Collective announces capital raising to pursue strategic growth initiatives, including the potential acquisition of the eCommerce assets of Catherines

Key Points:

- City Chic Collective Limited (“City Chic”, “Company”) has been selected as the Stalking Horse Bidder¹ for the eCommerce assets of Catherines from the Ascena Retail Group, which has filed for Chapter 11 Bankruptcy
- The Company is raising \$80.0m through a fully underwritten Placement (“Placement”) to fund the potential acquisition of the eCommerce assets of Catherines, as well as to further strengthen the balance sheet and provide financial flexibility to accelerate growth globally
- A follow-on non-underwritten Share Purchase Plan (“SPP”) will also be offered to eligible shareholders to raise up to approximately \$10.0m (together with the Placement, the “Offer”)
- City Chic’s trading has continued to improve since its trading update on 25 May 2020, with sales in Australia and New Zealand further strengthening as the majority of the store network re-opened and sales through the Avenue website continued to be resilient
- City Chic recorded FY20 sales revenue of \$194.5m (unaudited), which represents 31.0% total sales growth and 0.4% comparative sales growth versus FY19²
- Unaudited Underlying EBITDA for FY20 is \$26.5m (pre-AASB16, includes share-based payments expense of \$2.8m)³
- Strong balance sheet with net cash of \$3.9m⁴ and debt facility of \$40.0m maturing in March 2023

City Chic announces that it is undertaking an equity raising to pursue strategic growth initiatives, including the potential acquisition of the eCommerce assets of US plus-size retailer, Catherines, from the Ascena Retail Group. It also provides an FY20 trading update.

Phil Ryan, Chief Executive Officer and Managing Director of City Chic said: “We are excited about the opportunity to acquire the eCommerce assets of Catherines, a well-known plus-size brand with a deep history and strong customer following in the US market. The potential acquisition of Catherines meets our strategic objectives of scaling our business across geographies and plus-size segments. The acquisition of the eCommerce assets of US plus-size retailer Avenue in October 2019 provides us with

¹ For further information regarding Stalking Horse Bidder status, refer to page 11 of Investor Presentation released together with this announcement

² Represents no adjustment for store closures due to COVID-19. Under City Chic’s Comparable Sales Policy, the period stores were closed or partially closed due to COVID-19 restrictions (April and May 2020) are excluded, resulting in comparable sales growth of 6.4% for FY20. In both calculations, comparable sales exclude Wholesale and Online Marketplaces and exclude recent acquisitions of Avenue and Hips & Curves

³ Underlying EBITDA excludes transaction costs and US logistics consolidation costs and adjusts for accounting changes relating to AASB16 Leases which were effective from 1 July 2019, in order to present Underlying EBITDA on a like-for-like basis to the prior period. Underlying EBITDA includes the non-cash long term incentive share-based expense

⁴ Deferment of \$4.7m of tax payments agreed with the respective tax authorities, to be paid 1H FY21

a blueprint for expansion and an understanding of the benefits of deploying our lean, customer-centric operating model to drive revenue growth and cost efficiencies.

“The equity raising also allows us to strengthen our balance sheet and pursue other opportunities that may arise given the current economic environment. Any future activity would have to reflect our strategic focus on plus-size brands and online retailing.

“We are also pleased to provide the market with an FY20 trading update. Despite the COVID related challenges of recent months, our online business has continued to perform strongly and the majority of our stores are back and trading well.”

Potential acquisition of eCommerce assets of US plus-size retailer Catherines

On Thursday 23 July 2020, City Chic was selected as the Stalking Horse Bidder and signed an asset purchase agreement for the eCommerce assets of Catherines, owned by US-listed Ascena Retail Group Inc. (NASDAQ: ASNA), which are to be sold via auction as part of a Chapter 11 bankruptcy process. These assets include a well-established brand with a loyal customer following and inventory. City Chic's Stalking Horse Bid includes an upfront cash consideration offer of US\$16.0m, subject to an inventory adjustment.

Established in 1960, Catherines is a well recognised US-based specialty retailer of plus-size apparel, targeting mature value-conscious women. Catherines has a significant and loyal online customer base and generated online sales revenue of US\$67m in the 12 months to April 2020, which represents approximately one-third of Catherines total sales. However, City Chic does expect a material reduction in eCommerce sales from the closure of Catherines store network (300 stores) as well as from the bankruptcy process. The acquisition of Catherines, if completed by City Chic, would further increase City Chic's presence in the global plus-size market which is estimated at A\$50bn+ annually.

As Stalking Horse Bidder, City Chic has entered into a binding asset purchase agreement that is subject to conditions precedent, including City Chic being the highest bidder at the auction and approval by a US Bankruptcy Court. There is therefore no guarantee City Chic will be successful in its bid to acquire the Catherines eCommerce assets. Further, the auction process may result in the purchase price being higher, meaning that City Chic may need to bid higher than its Stalking Horse Bid of US\$16.0m to attain the assets. If City Chic is the successful acquirer, the expected date of completion would be late in the third quarter or early fourth quarter of 2020. City Chic will keep the market updated as the transaction progresses.

As a result of current market conditions, City Chic is exploring opportunities to expand its collective of brands to meet its strategic priorities of growing its customer base and presence across geographies. City Chic believes it is well positioned to leverage its lean, customer-centric operating model to drive scale as it continues to grow its global online footprint. This approach is evidenced by City Chic's acquisition and integration of the assets of Hips & Curves in April 2019 and Avenue in October 2019.

FY20 Trading & Business Update

City Chic recorded FY20 sales revenue of \$194.5m (unaudited), an increase of 31.0% on FY19 and comparable sales growth of 0.4%⁵. Unaudited Underlying EBITDA for FY20 is \$26.5m (pre-AASB16, includes share-based payments expense of \$2.8m)⁶.

Australian and New Zealand sales for FY20 fell by 4.8%, with sales growth of 9.9% in the first half, followed by a 21.5% fall in the second half driven by the impact of COVID-19 and store closures. US online websites (City Chic USA, Avenue and Hips and Curves) contributed sales of A\$65.2m in FY20

⁵ Represents no adjustment for store closures due to COVID-19. Under City Chic's Comparable Sales Policy, the period stores were closed or partially closed due to COVID-19 restrictions (April and May 2020) are excluded, resulting in comparable sales growth of 6.4% for FY20. In both calculations, comparable sales exclude Wholesale and Online Marketplaces and exclude recent acquisitions of Avenue and Hips & Curves

⁶ Underlying EBITDA excludes transaction costs and US logistics consolidation costs and adjusts for accounting changes relating to AASB16 Leases which were effective from 1 July 2019, in order to present Underlying EBITDA on a like-for-like basis to the prior period. Underlying EBITDA includes the non-cash long term incentive share-based expense

compared to A\$10.7m in FY19, largely driven by the expanded customer base from the Avenue acquisition.

The Company's Southern Hemisphere trading improved in June as compared to April and May, driven by the re-opening of stores from late May. Southern Hemisphere total sales (stores and online) were 26% down in June versus the prior year, compared to 47% down in April versus the prior year.

In early July, 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 has temporarily closed 20 stores in Victoria, with 4 regional stores remaining open. The remainder of the store portfolio in Australia and New Zealand remain open and continue to trade strongly in July. City Chic's online channel, which continues to operate without disruption in metropolitan Melbourne, is expected to attract customers to shop digitally, as experienced during the store shutdowns earlier in the year.

The City Chic website in the US experienced positive growth in the second half versus the prior year, but sales and gross margins were more heavily impacted by COVID-19 restrictions than the Australia operations, due to the higher skew towards dresses in the US.

During the recent period of COVID-19 related disruption, City Chic has been more promotional in order to manage cashflows and inventory, resulting in lower gross margins. Notwithstanding this, the Company traded profitably through this period. A clean inventory position has been achieved by working with suppliers to reduce intake and redeploying stock around the global network. The Company ended the financial year with \$21.4m of cash and \$17.5m of debt⁷.

As previously announced on 25 May 2020, City Chic is eligible for the JobKeeper payment subsidy in Australia and Wage Subsidy Scheme in New Zealand. The Company received JobKeeper and Wage Subsidy payments totalling A\$3.7m in FY20, which were passed through to team members. More than half of the payments to team members represented the period stores were closed and top-up amounts above actual hours worked.

As previously announced, in March 2019 the Company moved employees from its Enterprise Agreement to the General Retail Industry Award (GRIA). Given the complexity of the GRIA and the Board's ongoing commitment to robust governance, the directors of City Chic have commissioned an external audit of City Chic's payroll systems, which is currently being carried out. The purpose of the external audit of payment data and processes across City Chic's businesses is to ensure that these processes are operating in accordance with City Chic's expectations and to allow any anomalies that may exist to be promptly identified and resolved.

Details of the Placement

City Chic is undertaking a fully underwritten \$80.0m Placement of new fully paid ordinary shares in City Chic ("New Shares") to eligible professional and sophisticated institutional investors.

The Placement will be conducted at \$3.05 per New Share ("Placement Price") which represents a 4.7% discount to the last closing price of \$3.20 on Thursday 23 July 2020. The Placement will result in approximately 26.2 million New Shares being issued, representing approximately 13.1% of City Chic's existing issued capital.

New Shares issued under the Placement will rank equally with existing City Chic shares and are expected to settle on 30 July 2020 and be issued, and commence trading on the following business day, 31 July 2020.

Details of the Share Purchase Plan

Following the completion of the Placement, City Chic will offer all eligible shareholders (being those persons registered as ordinary shareholders as at 7.00pm (Sydney time) on Thursday 23 July 2020

⁷ Deferment of \$4.7m of tax payments agreed with the respective tax authorities, to be paid 1H FY21

with a registered address in Australia or New Zealand) the opportunity to participate in a non-underwritten SPP.

The SPP will provide each eligible City Chic shareholder with the opportunity to apply for up to \$30,000 of New Shares and City Chic is targeting to raise approximately \$10.0m in aggregate. City Chic reserves the right to increase the size of the SPP or scale back applications under the SPP at its absolute discretion.

The SPP offer will be priced at the lesser of:

- the Placement Price; and
- a 2% discount to the 5 day volume weighted average price (VWAP) of City Chic shares up to and including the SPP closing date.

New Shares issued under the SPP will rank equally with existing City Chic shares. Further details of the SPP will be provided to eligible shareholders in due course.

Indicative Timetable

The timetable below is indicative only and subject to change. City Chic reserves the right to alter the below dates at its full discretion and without prior notice, subject to the ASX Listing Rules and the Corporations Act. All times below are Sydney, Australia time.

Event	Date
SPP record date	7:00pm (Sydney time), Thursday, 23 July 2020
Trading halt and announcement of the Placement and SPP	Friday, 24 July 2020
Placement bookbuild	Friday, 24 July 2020
Announcement of the outcome of the Placement	Monday, 27 July 2020
Trading halt lifted – trading resumes on the ASX	Monday, 27 July 2020
Settlement of New Shares under the Placement	Thursday, 30 July 2020
Issue and normal trading of New Shares issued under the Placement	Friday, 31 July 2020
SPP offer opens and SPP offer booklet is dispatched	Friday, 31 July 2020
SPP closing date	Tuesday, 18 August 2020
Announcement of results of SPP	Friday, 21 August 2020
SPP issue and allotment date	Monday, 24 August 2020
Normal trading of New Shares issued under the SPP	Tuesday, 25 August 2020
Dispatch of holding statements	Tuesday, 25 August 2020

Canaccord Genuity (Australia) Limited and Morgan Stanley Australia Securities Limited acted as joint lead managers and underwriters in respect of the Placement. Thomson Geer acted as Australian legal adviser to City Chic in respect of the Offer. Halperin Battaglia Benzija, LLP acted as US counsel and Thomson Geer as Australian counsel in respect of the acquisition of the eCommerce assets of Catherines.

Additional Information

Further details of the Offer are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Placement.

Ends

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 and Hips & Curves. City Chic, including youth oriented CCX, appeals to fashion forward women and its omni-channel model comprises of a network of 93 stores across Australia and New Zealand; multiple websites operating in Australasia and the US; marketplace and wholesale partnerships with major US retailers such as Macys and Nordstrom; and a wholesale business with European and UK partners such as ASOS and Zalando. Avenue targets value-conscious women and Hips & Curves is an intimates brand; both are online only with a significant customer following throughout the US.

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IMPORTANT NOTICE

Forward Looking Statements

This announcement contains statements in relation to future events that constitute "forward-looking statements". The forward-looking statements include statements regarding City Chic's intent, belief or current expectations with respect to the timetable, conduct and outcome of the Offer and the use of proceeds therefore, statements about the plans, objectives and strategies of the management of City Chic, statements about the industry and markets in which City Chic operates, statements about the future performance of City Chic's business and its financial condition, indicative drivers, forecasted economic indicators and the outcome of the Offer and the use of proceeds. Words such as "will", "may", "expect", "indicative", "intent", "seek", "would", "should", "could", "continue", "plan", "probability", "risk", "forecast", "likely", "estimate", "anticipate", "believe", "aim" or similar words are used to identify forward-looking statements.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Any such statements, opinions and estimates in this announcement speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. The forward-looking statements contained in this announcement are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of City Chic, its officers, employees, agents and advisers, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Forward-looking statements may also assume the success of City Chic's business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond City Chic's control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward looking statements may have been prepared or otherwise.

There can be no assurance that actual outcomes will not differ materially from these statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, the Australian and global economic environment and capital market conditions and other risk factors set out in this announcement. Investors should consider the forward-

looking statements contained in this announcement in light of those risks and disclosures. The forward-looking statements are based on information available to City Chic as at the date of this announcement.

To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise is disclaimed. City Chic disclaims any responsibility to update or revise any forward-looking statement to reflect any change in City Chic's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law.

Not for Distribution or Release in the United States

This announcement may not be distributed or released in the United States. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares to be offered and sold under the Offer have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares in the Placement may not be offered or sold, directly or indirectly, to any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws. New Shares issued under the SPP described in this announcement may not be offered or sold, directly or indirectly, to any person in the United States or any person that is acting for the account or benefit of a person in the United States.