

# city chic collective

ASX Announcement  
30 August 2023

## City Chic Collective Limited FY23 Results

- **Strategic review completed: major initiatives underway to strengthen City Chic’s customer connection and product offering, simplify the business, drive down costs to return to profitability**
- **Sales Revenue of \$268.4m, down 15.8%<sup>1</sup> on FY22, cycling a strong PCP; up 7% on FY21**
- **Underlying EBITDA<sup>2</sup> loss of \$24m; NPAT loss from continuing operations of \$45m**
- **Inventory reduced to \$53.8m**
- **Net cash position of \$10.9m**
- **Sale of Evans brand and EMEA inventory for £8m (~\$15m AUD) post period end**

**City Chic Collective Limited** (ASX: CCX) (“City Chic”, or the “Group”) today released its FY23 financial results for the 52 weeks ended 2 July 2023, reflecting a right-sizing of its inventory and a return to a positive cash position against a challenging macroeconomic backdrop. The Group undertook a strategic review to return the business to profitability and has made significant progress towards streamlining its operations and driving down its cost base.

### FY23 Results Review

Group revenue was down 15.8%<sup>1</sup> to \$268.4m with demand remaining volatile across each of its markets, requiring heavy promotional activity to drive sales. This also reflected the strong comparative period, with revenue up 7% versus FY21. Underlying EBITDA<sup>2</sup> was a loss of \$24m, driven by lower consumer demand in all regions and the Group’s focus on clearing inventory.

In FY23, City Chic successfully right-sized its inventory position, with a balance of \$53.8m at 2 July 2023 delivering a closing net cash of balance of \$10.9m. This was achieved through heavy promotional activity but also included stock write downs of aged and fragmented lines. As a result its gross margin percent of revenue was down 18.7% points with nearly half of that related to inventory provisions and write downs.

These measures, together with the sale of the Evans brand and assets since year-end, has allowed City Chic to return to a more commercial inventory position to support sales from Q2 FY24. The sale proceeds of \$12m net of transaction costs will predominantly be used for ongoing working capital purposes. The Board has decided not to declare a dividend for FY23.

City Chic reduced its debt facility limit to \$20m and adjusted its covenants in line with the changing business requirements. This will reduce a further \$5m post the end of FY24, further lowering its funding costs.

### FY23 Strategic Review

In FY23 City Chic completed a strategic review, focused on its online and international businesses, to determine the most efficient path to profitable growth, notwithstanding the current economic pressures on customer demand and competition. The outcome of the strategic review will see the business focus on three key areas:

#### **Amplify our focus on Her, forging genuine emotional connections**

City Chic will reinvigorate the emotional connection with its customer by leveraging its strong understanding of Her needs developed over the last 16 years. With extensive insights into Her preferences, fit, fabric, and styling

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<sup>1</sup> Excluding the 53rd week for FY22 to reflect comparable trading periods. All reporting is for the continuing operations.

<sup>2</sup> Underlying EBITDA (post-AASB16) and underlying EBIT exclude non-recurring costs of \$4.8m (USA related warehouse strategic review and re-location costs of \$4.5m, costs related to acquisition opportunities that did not materialise of \$0.3m). All reporting is for the continuing operations.

choices, it will target customers with higher selling price, lifetime value and repeat purchase tendencies. City Chic will leverage its expertise in higher sale value categories, notably dresses, where Her engagement with the brands and products has demonstrated elevated satisfaction levels.

This strategy will target higher average order values, retention rates and profitability across a refined customer base. City Chic will focus its marketing investment on targeting these higher-value customers that already constitute nearly half of its total database.

#### **Revitalise product assortments, focusing on higher value product**

By leveraging its robust design and sourcing capabilities, the Group is streamlining its product range to focus on core fits and stylish, high-quality options. It will offer a more refined and desirable assortment with fresh lifestyle additions, at higher average selling prices that deliver better margins. This includes deliberately rationalising its product offering away from lower priced styles. It will implement disciplined assortment management to continue to deliver newness and also maintain the relentless streamlining of its supply chain agility to ensure a more rapid response to evolving customer preferences.

City Chic is targeting a return to 60% gross margins and optimised investment to maintain commercial inventory levels.

#### **Simplifying the business and driving down costs**

City Chic has streamlined its supply chain by consolidating sourcing origins from 7 to 3 and destinations from 6 to 2, while reducing its factory base from 101 to 61 and its warehouses from 12 to 2. It has also initiated a significant headcount and other cost reduction program and is targeting fulfilment costs returning to 19% of revenue. Overall, this will result in a sustainable cost base from 2H FY24 and annualised cost savings of \$15m<sup>3</sup>.

Since the period end, the Group sold the Evans brand and assets and exited the EMEA region. This has resulted in a less complex, more efficient business in ANZ and the USA where its strategy has proven to be successful and the Group can deliver strong returns supported by data-driven insights and disciplined working capital management.

#### **Trading Update and FY24 Outlook**

In the first eight weeks to 27 August 2023, as foreshadowed in May, City Chic continued to aggressively clear winter inventory in ANZ and summer inventory in the USA. This has impacted revenue and margins, with sales 33% down on PCP in what remains a challenging market. This was done to ensure it has new seasonal product for the holiday period and to drive sales into Q2 FY24. In ANZ sales were down 34% YoY as the majority of EMEA stock was relocated to Australia, and in the USA sales were down 31% with online performing better than partners.

The Group is seeing strong sell through of its new seasonal product in both markets as it transitions to better end ranges, with demand expected to continue improving into Q2 FY24.

The cost reduction program will continue through H1 FY24 and City Chic expects to have new seasonal inventory in market ready for Q2 with a strong inventory position into H2 FY24. City Chic is targeting 60% gross margin and fulfilment cost of below 19% of revenue. It is also targeting three inventory stock turns and maintaining positive net cash at year end.

While City Chic is forecast to be loss-making in 1H FY24, it expects to be trading profitably in H2 FY24 as the benefits of these strategic actions are realised.

**Phil Ryan, Chief Executive Officer and Managing Director of City Chic said:** “The team has worked extremely hard to get our inventory back in shape and restore our balance sheet. As part of our review process we had the opportunity to sell the Evans business and exit EMEA which now gives us a clear run at the highly lucrative USA market while we consolidate our leading position in Australia.

“We have exited FY23 with a materially improved inventory position and have a clear strategy in place to return the business to profitability based on getting back to what we are good at – creating an emotional connection with Her and responding to Her needs, supported by a much more agile operating model and data-driven insights. We have also instilled a culture of cost containment, focusing on delivering quality garments at a great price.

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<sup>3</sup> Annualised savings from the continuing operation (excludes EMEA)

“This will see a reduced but refreshed product range, a much more valuable customer base and a return to more normalised trade. We have seen a strong response to our new product and expect to be back to profitability during the second half of FY24. I look forward to reporting further on our progress throughout the year ahead.”

### **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:

**Webcast registration link:** [https://webcast.openbriefing.com/ccx\\_fyr\\_2023/](https://webcast.openbriefing.com/ccx_fyr_2023/)

**Conference call registration link:** <https://s1.c-conf.com/diamondpass/10032145-hf856y.html>

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; of 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,.

### **Investor and Media Enquiries**

Matthew Gregorowski +61 422 534 755

Saskia West +61 452 120 192

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