

city chic collective

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21 June 2024

Sale of Avenue, Business Transformation and Equity Raising

Key Points

- Divestment of Avenue for US\$12 million¹ (~A\$18 million) to create a dedicated single brand offering focused on the higher value City Chic customer in ANZ and the US
- Rebased platform unlocking additional cost savings leading into FY25F
- Reduced and extended debt facility to provide additional balance sheet strength
- \$23.0 million equity raising to provide working capital, support the Group's growth strategy and fund one-off restructuring costs
- FY24 forecast Proforma Adjusted EBITDA post-AASB16 from Continuing Operations loss² of \$9.3 million, includes \$8.8 million of realised cost savings. Further cost savings of \$11.5 million are expected to be achieved in FY25F from actions already taken and implementation of other identified initiatives following the sale of Avenue
- Positive trends in Average Sell Price (**ASP**) and margin through strategic product and marketing initiatives, although trading conditions in FY24 have remained challenging

City Chic Collective Limited (ASX: CCX) ("City Chic", or the "Group") today announces it has signed a definitive agreement to divest its US based Avenue business to FullBeauty Brands (**FBB**) for US\$12 million¹ (approximately A\$18 million) as part of a broader business transformation and a \$23.0 million equity raising comprising an accelerated non-renounceable entitlement offer (**Entitlement Offer**) and institutional placement (**Placement**) (together the **Equity Raising**). It also provides an update on trading.

Phil Ryan, CEO, said "A huge amount of work has gone into ensuring our business can return to a position of strength. Through listening to our customers, we have implemented strategic marketing and product initiatives which have resulted in positive momentum going into FY25F in the key measures of gross margin and sell price. With the sale of Avenue, we are focusing on our core City Chic customer in ANZ and the US where we have grown the customer base to over 500,000, up 32% from 2019³.

The sale also facilitates further restructuring actions which will result in a focused single brand and simplified operating model that allows us to respond quickly to her changing needs. We have aligned our cost base to the current economic environment and with our revised debt arrangements, Equity Raising and return to more normalised inventory patterns, I am confident we have the right platform in place to return to profitable and sustainable trading."

Business Transformation

¹ Subject to working capital conditions and adjustments on completion. The cash proceeds of the divestment will be the \$18m less the expected working capital adjustments of c.\$3.5m which will be confirmed on completion. Residual Avenue Accounts Payable/Accruals of \$0.6m relating to inventory sold that remain with continuing operations will be settled by City Chic

² Excludes the trading results of Avenue and Evans which will be treated as discontinued businesses and also excludes restructuring and other non-operating costs

³ Residual business excludes Avenue. 2019 pre-Avenue Active Customers 385k

City Chic has undertaken a significant business transformation during FY24 including a brand refresh as part of its product and marketing initiatives and right sizing its cost base to create a more streamlined operation under a single brand in ANZ and the US through its City Chic stores, websites and partnership agreements. This incorporates the divestment of Evans (completed earlier this year) and Avenue, a major cost reduction program and the strengthening of its balance sheet through a debt restructure and Equity Raising.

Avenue Divestment

City Chic has agreed to divest the Avenue brand to Full Beauty Brands (**FBB**) for total cash consideration of US\$12 million¹ (approximately A\$18 million), subject to working capital adjustments at completion. The divestment aligns with the Group's strategy of focusing on the core City Chic customer in ANZ and the US. Completion is scheduled to occur in early July 2024.

Post completion, City Chic will continue to utilise the Avenue.com platform via an ongoing commercial relationship with FBB whereby FBB will sell the core City Chic brand products in the US on the Avenue.com website and through other existing FBB businesses.

Cost Reduction Initiatives

Total planned annualised cost savings from actions already undertaken to right-size the business and additional cost savings that will occur following the sale of Avenue total \$20.3 million. This includes \$8.8 million in cost savings already achieved and included in the FY24 Proforma EBITDA that are expected to deliver additional incremental savings of \$4.3 million in FY25F, and \$7.2 million related to the sale of Avenue and the move to a new fulfilment provider under a variable cost base contract. Total additional cost savings in FY25F are therefore expected to be \$11.5 million.

Trading Update and Outlook

Trading conditions have remained uncertain, with forecast Group sales for FY24³ down ~30% to \$187 million (including Avenue) compared to FY23 (PCP). However, City Chic is experiencing positive trends in ASP supported by its new seasonal product and marketing initiatives. This has resulted in margin improvement across the board, with overall Q4 gross margins up 15% on PCP, and heading back to FY22 levels.

Revenue by Region (A\$M)	FY24 Forecast ³	Vs FY23 Actual	Revenue by Channel (A\$M)	FY24 Forecast ³	Vs FY23 Actual
ANZ	97.0 – 98.0	(32%) - (31%)	Stores	47.5 - 48.0	(21%) - (20%)
Americas	89.0 – 90.0	(30%) - (29%)	Online	114.5 - 115.5	(38%) - (37%)
Total (including Avenue)	186.0 – 188.0	(31%) - (30%)	Partners	24.0 - 24.5	(2%) – 0%
Discontinued Avenue Revenue	(55.0)	(34%)	Total (including Avenue)	186.0 – 188.0	(31%) - (30%)

Active customers excluding Avenue are up 32% from 2019⁴ levels, although average annual spend has been impacted by ongoing cost-of-living pressures. The Group's focus on its higher value aspirational customer is expected to deliver further ASP and gross margin improvements in FY25F with its marketing program focused on enhancing brand engagement in ANZ and increasing its target customer base in the USA.

Inventory is back to a normalised level (excluding Avenue) with a return to regular purchasing cycles.

Debt Restructure

³ Based on 10 months of actuals and 2 months of forecast. Revenue by Region and by channel includes Avenue. We note the revenue assumed for the Stat forecast is \$187.2m, which is \$1.5m lower than the upper range forecast and does not assume significant downside sensitivities to recent ASP and volumes

⁴ Residual business excludes Avenue. 2019 pre-Avenue Active Customers 385k

City Chic's lender has agreed to reduce and extend its current debt facility. The extended facility will mature in December 2026 and will step down to a limit of \$10 million (from \$20 million) on 2nd September 2024.

Under the terms of the agreed facility, current covenants will be replaced with a requirement to complete cleandowns (which requires City Chic to repay all drawn down amounts under the facility to nil for at least seven consecutive days) twice per annum.

Details of the Equity Raising

City Chic is undertaking a \$23.0 million Equity Raising comprising a fully underwritten institutional placement to raise \$5.4 million (**Placement**) and a 1 for 2.04 accelerated non-renounceable entitlement offer to raise \$17.6 million (**Entitlement Offer**), comprising a fully underwritten institutional entitlement offer to raise \$10.0 million, and a partially underwritten retail entitlement offer to raise \$7.6 million (the **Retail Entitlement Offer**) (together, the **Offer**). The Retail Entitlement Offer is underwritten up to \$2.1 million.

Approximately 153.3 million new fully paid ordinary shares (**New Shares**) will be issued under the Equity Raising, which represents 64.1% of City Chic's current ordinary shares on issue. New Shares will rank equally with existing City Chic shares and City Chic will seek quotation of the New Shares on ASX.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 New Share for every 2.04 existing City Chic ordinary shares held on the record date of 7.00pm (Sydney Time) Tuesday, 25 June 2024 (**Entitlement**).

New Shares under the Equity Raising will be issued at a price of \$0.15 per New Share (**Offer Price**), which represents a:

- 50.0% discount to the last close of \$0.30 on 17 June 2024
- 37.9% discount to TERP⁵ of \$0.24

The Entitlement Offer is non-renounceable, and entitlements will not be tradeable or otherwise transferable.

Some members of the Board intend to participate in the Entitlement Offer.

Placement

The fully underwritten Placement of ~\$5.4 million will be offered to sophisticated and institutional investors in Australia and certain overseas jurisdictions at the Offer Price. The Placement is being conducted today, Friday 21 June 2024. Approximately 35.9 million New Shares will be issued as part of the Placement. No shareholder approval is required in connection with the Placement, as the Placement is being undertaken within City Chic's available Listing Rule 7.1 capacity.

New Shares issued under the Placement will not be eligible to participate in the Entitlement Offer.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place today, Friday, 21 June 2024. Eligible institutional shareholders may opt to take up all, part or none of their Entitlement. Institutional Entitlements cannot be traded on ASX or transferred.

Institutional Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and Institutional Entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to eligible institutional shareholders who apply for New Shares in excess of their entitlement, as well as to certain other eligible institutional investors who bid into the Placement being conducted concurrently with the Institutional Entitlement Offer.

City Chic shares will be in trading halt until completion of the Institutional Entitlement Offer and Placement.

⁵ The Theoretical Ex-Rights Price ('TERP') is the theoretical price at which City Chic shares should trade immediately after the ex-date of the Entitlement Offer and includes shares issued under the Placement. TERP is a theoretical calculation only and the actual price at which City Chic shares will trade on the ASX immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the TERP.

Retail Entitlement Offer

Eligible retail shareholders registered as a shareholder of City Chic in Australia and New Zealand as 7.00pm (Sydney Time) Tuesday, 25 June 2024 will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as under the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Friday, 28 June 2024 and close at 5:00pm on Wednesday, 10 July 2024.

Eligible retail shareholders will be sent an information booklet (**Retail Entitlement Offer Booklet**) including a personalised entitlement and acceptance form on Friday, 28 June 2024. The Retail Entitlement Offer Booklet will provide the details of how to participate in the Retail Entitlement Offer.

A copy of the Retail Entitlement Offer Booklet will also be lodged with the ASX on Friday, 28 June 2024. Eligible retail shareholders may opt to take up all, part or none of their entitlement.

City Chic may (in its absolute discretion) extend the Retail Entitlement Offer to any institutional shareholder that was eligible to, but was not invited to participate in, the Institutional Entitlement Offer (subject to compliance with relevant laws).

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
Announcement of Entitlement Offer and Placement	Friday, 21 June 2024
Institutional Offer Opening Date	Friday, 21 June 2024
Institutional Offer and Institutional Placement Closing Date	Friday, 21 June 2024
Trading Halt lifted and announcement to ASX of results of the Institutional Offer	Monday, 24 June 2024
Record Date	Tuesday, 25 June 2024
Retail Entitlement Offer Opening Date	Friday, 28 June 2024
Dispatch Date for retail offer booklet	Friday, 28 June 2024
Institutional Offer Settlement Date	Friday, 28 June 2024
Institutional Offer Allotment Date	Tuesday, 2 July 2024
Normal trading of New Securities issued under the Institutional Offer	
Retail Entitlement Offer Closing Date	Wednesday, 10 July 2024
Results of the Retail Entitlement Offer announced to ASX	Thursday, 11 July 2024
Retail Entitlement Offer Settlement Date	Monday, 15 July 2024
Retail Entitlement Offer Allotment Date	Tuesday, 16 July 2024
Normal trading of New Securities issued under the Retail Entitlement Offer	Wednesday, 17 July 2024

Canaccord Genuity is acting as lead manager and underwriter in respect of the Equity Raising. Thomson Geer acted as Australian legal adviser to City Chic in respect of the Offer. Luminis Partners acted as financial advisor to the Equity Raising and the divestment of Avenue and Thomson Geer acted as Australian legal counsel in respect to the divestment of Avenue.

The release of this announcement was authorised by the Board.

All amounts are in Australian dollars unless otherwise indicated.

Not an offer in the United States

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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 77 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 and the USA.

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