

# city chic collective

11 July 2024

**ListingsComplianceSydney@asx.com.au**

**Electronic**

ASX Compliance  
20 Bridge Street  
SYDNEY NSW 2000

Dear ASX Compliance

## **City Chic Collective Limited (CCX) – Response to your letter of 9 July 2024**

CCX refers to the letter received from ASX Compliance on 9 July 2024 and responds to each of the requests for information as follows (adopting the numbering applied in the letter received from ASX Compliance):

- 1.1 No. In responding, CCX notes the reference in ASX Compliance's letter to a 'Decrease in FY24 Sales Forecast'. It is noted that CCX had not provided a forecast to any section of the market in respect of FY24 sales prior to 18 June 2024 (ie, the date of the 'First Article'). Accordingly, the reference to a 'decrease in FY24 sales' is a comparison to actual FY23 sales, rather than any previous FY24 forecast.

In this regard, it is also noted that on 27 February 2024, CCX announced to ASX its results for the first half of FY24. In doing so, CCX disclosed that sales revenue for the first half of FY24 was down approximately 29% to the prior corresponding period (ie, compared with the first half of FY23).

At the same time, CCX announced to ASX that sales revenue for the first 8 weeks of the second half of FY24 was down 33% to the prior corresponding period (ie, compared with the first 8 weeks of the second half of FY23).

In light of the above, CCX does not consider that news on 18 June 2024 that CCX was forecasting that FY24 sales would be 30% less than FY23 sales is information that a reasonable person would expect to have material effect on the price or value of its securities.

- 1.2 No. Similar to the response to 1.1, that CCX was loss-making in FY24 was clearly known to the market.

For context, it is noted that in August 2023, CCX announced to ASX that CCX had recorded an underlying EBITDA loss for FY23 of \$24 million and an NPAT loss for FY23 from continuing operations of \$45 million.

Then, on 27 February 2024, CCX announced to ASX that for the first half of FY24 it made an underlying EBITDA loss (pre-AASB16) of \$14.4 million and an underlying EBITDA loss (post-AASB16) of \$7.5 million.

In addition, since that time, CCX has regularly monitored broker consensus. In doing so, CCX has formed the view throughout the second half of FY24 that the market was not expecting a materially different earnings result to the amount referred to in the 'FY24 Earnings Forecast'.

In light of the above, CCX does not consider that news on 18 June 2024 that CCX was forecasting that FY24 pro forma adjusted EBITDA post-AASB16 from continuing operations would be a loss of \$9.3 million is information that a reasonable person would expect to have material effect on the price or value of its securities.

1.3 Yes.

2 As outlined above, CCX's response to items 1.1 and 1.2 is 'no'. The basis for CCX's view in each case is outlined in our response to items 1.1 and 1.2 respectively.

3 The information referred to in item 1.1 was only finalised on the evening of 17 June 2024 (ie, after market close on that day). CCX sought and was granted a trading halt on the morning of 18 June 2024 (ie, prior to market open). As noted above, CCX does not consider the information referred to in item 1.1 to be price sensitive.

The information referred to in item 1.2 was only finalised on the evening of 17 June 2024 (ie, after market close on that day). CCX sought and was granted a trading halt on the morning of 18 June 2024 (ie, prior to market open). As noted above, CCX does not consider the information referred to in item 1.2 to be price sensitive.

4 No trading in CCX securities took place between the time of the finalisation of the FY24 Sales Forecast and FY24 Earnings Forecast and the First Announcement. During that time, CCX was undertaking wall-crossings with institutional investors regarding a capital raising that CCX was proposing to undertake. In seeking its trading halt prior to market open on 18 June 2024, CCX was clear that the capital raise was the reason for the trading halt and had engaged in confidential discussions with ASX regarding the capital raising (and the Sale of Avenue) prior to that time.

CCX was not obliged to release the FY24 Sales Forecast and FY24 Earnings Forecast at any time prior to when it was in fact disclosed. In this regard, and as noted above, CCX does not consider the FY24 Sales Forecast or FY24 Earnings Forecast to be price sensitive in the circumstances. CCX also notes that its conduct in this regard is entirely consistent with the principles of Guidance Note 8, including Example C in Annexure A to Guidance Note 8. CCX maintains that it has all times complied with Listing Rule 3.1.

CCX was concerned about the prospect of a leak with respect to the Sale of Avenue in particular if it engaged in wall-crossings prior to signing a binding sale agreement with respect to Avenue and the detrimental effect this could have on the sale. It follows that at the time a trading halt was requested, CCX was unaware of the likely outcome of its proposed capital raise (eg, amount of the raising and pricing of the raising). Accordingly, it was not appropriate to release the FY24 Sales Forecast and FY24 Earnings Forecast to the market (the purpose of the preparation of which was to support the capital raising) without the likely outcome of the capital raising being known. Again, CCX's conduct absolutely accords with Guidance Note 8 and Example C.

5 CCX signed the agreement for the Sale of Avenue at 8.51am (Sydney time) on 18 June 2024.

6 CCX sought a trading halt for its securities at 8.56am (Sydney time) on 18 June 2024. The trading halt request made it clear that a purpose of the trading halt was to allow CCX to make a more fulsome announcement regarding a proposed capital raising and the Sale of Avenue. As noted above, once a contract was signed for the Sale of Avenue, CCX could then undertake wall crossings under the cover of a trading halt. Having informed the market through the trading halt request that Avenue had been sold, it was considered appropriate and in accordance with Listing Rules 3.1 and 3.1A to make a fulsome announcement of the Sale of Avenue in conjunction with the launch of the capital raising.

- 7.1 No. CCX has made reasonable enquiries of its directors and officers and its relevant advisers and service providers. Having made those enquiries, CCX is satisfied that CCX did not, and those representing CCX did not, provide any statement to the media concerning any of the information referred to in the First Article.
- 7.2 No. CCX has made reasonable enquiries of its directors and officers and its relevant advisers and service providers. Having made those enquiries, CCX is satisfied that CCX did not, and those representing CCX did not, provide any statement to the media concerning any of the information referred to in the Second Article.
8. Not applicable.
9. CCX is not aware of how the information appeared in the First Article and Second Article respectively.
10. CCX has in place a Continuous Disclosure Policy to ensure the protection of confidential information and the timely and balanced disclosure of all material matters concerning CCX. CCX takes steps to ensure the information that is price sensitive is restricted to employees and advisers on a need-to-know basis and that those employees and advisers are aware of CCX's continuous disclosure policy, including the fact that information that is for release to the market cannot be released to external parties, including the media (even on an embargoed basis). The disclosure of price sensitive information is subject to disclosure processes which is either approved by the CEO and Company Secretaries or otherwise elevated to the Board of Directors for approval. External advice is also sought as considered appropriate.
11. CCX considers that the arrangements it has in place are adequate and customary for companies of a similar nature to CCX. CCX has always ensured, and will continue to ensure, that each of its engagements with its advisers and service providers, particularly with respect to M&A transactions and capital raisings, have robust confidentiality provisions to ensure compliance with Listing Rule 15.7.
12. CCX confirms that it is complying with the Listing Rules and, in particular, Listing Rule 3.1.
13. This response has been authorised and approved by the Board of Directors.

Yours sincerely

**City Chic Collective Limited**



Jacquie Shanahan  
Company Secretary



9 July 2024

Reference: 96078

Ms Jacquie Shanahan  
Company Secretary  
City Chic Collective Limited  
151-163 Wyndham Street  
Alexandria NSW 2015

By email only.

Dear Ms Shanahan

**City Chic Collective Limited ('CCX'): Compliance with Listing Rule 15.7 and Aware Query**

ASX refers to the following:

- A. The article appearing in The Australian Financial Review titled *"City Chic seeks to raise \$25 million, divests Avenue to New York buyer"* published online at 10.08 AM AEST on 18 June 2024 (the 'First Article') which stated:

*"ASX-listed speciality women's wear retailer City Chic is expected to raise about \$25 million from investors and has sold its American brand, Avenue, to a cashed-up offshore buyer as it seeks to re-set the business after a torrid few years. ..."*

*Street Talk understands private equity-backed FullBeauty Brands, which has been quietly amassing a number of plus-size brands, is the acquirer of Avenue."*

- B. The article appearing in The Australian Financial Review titled *"City Chic sales smashed by 30 pc, capital raise documents show"* published online at 5.56 PM AEST on 19 June 2024 (the 'Second Article') which stated:

*"City Chic is on track to report a 30 per cent fall in sales this year, dragging the women's specialty fashion retailer's bottom line deep into the red, internal documents show."*

*Shares in the ASX-listed company have been suspended for days as the company seeks an emergency \$27.5 million equity injection and sells Avenue, a North American brand, for 14.5 million. The Australian Financial Review's Street Talk column reported this week that FullBeauty Brands is purchasing Avenue from City Chic."*

*But internal documents viewed by the Financial Review show that much of the \$27.5 million being raised by the company will be used to repay its lender, National Australia Bank. Another \$13 million will be set aside as working capital."*

*"Trading conditions have remained challenging", and sales for this financial year including at Avenue will be down 30 per cent, the document reads."*

*Across Australia and New Zealand, sales are estimated to have tumbled 31 per cent to 32 per cent to between \$97 million and \$98 million this year. Sales in the Americas are tipped to fall about 30 per cent to some \$90 million."*

- C. CCX's announcement titled *"Avenue Sale, Debt Facility Restructure & FY24 Trading Update"* released on the ASX Market Announcements Platform ('MAP') at 13.49 PM AEST on 20 June 2024 (the 'First Announcement') in which CCX disclosed:

*"City Chic has signed a definitive agreement to divest its US based Avenue business to Fullbeauty Brands for US\$12 million (approximately A\$18 million)..."*

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City Chic also confirms that:

- *forecast Group sales for FY24 are down ~30% to \$187 million (including Avenue).*
  - *The FY24 forecast Proforma Adjusted EBITDA post-AASB16 from Continuing Operations (ie, excluding Avenue and Evans) is a loss of \$9.3 million.*
- D. CCX's announcement titled "*Capital Raise and Sale of Avenue*" released on MAP at 13:38 PM AEST on 21 June 2024 (the 'Second Announcement') in which CCX disclosed (among other things):
- "\$23.0 million equity raising to provide working capital, support the Group's growth strategy and fund one-off restructuring costs"*
- E. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- F. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity".*
- G. Section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* titled "When does an entity become aware of information?"
- H. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- "3.1A Listing Rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following 5 situations applies:*
- *It would be a breach of a law to disclose the information;*
  - *The information concerns an incomplete proposal or negotiation;*
  - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
  - *The information is generated for the internal management purposes of the entity; or*
  - *The information is a trade secret; and*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 A reasonable person would not expect the information to be disclosed."*
- I. The concept of "confidentiality" detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:
- "Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it is no longer a secret and it ceases to be confidential information for the purposes of this rule."*

J. Listing Rule 15.7 which states:

*“An entity must not release information that is for release to the market to any person until it has given the information to ASX and has received an acknowledgment that ASX has released the information to the market.”*

K. The note to Listing Rule 15.7 which states:

*“Note: This rule prohibits an entity giving information to the media even on an embargoed basis.”*

L. Section 4.6 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* states that:

*“It should be noted that the Listing Rules, including Listing Rule 3.1, continue to apply while an entity’s securities are in a trading halt or voluntary suspension. Hence, the mere fact that an entity has requested and been granted a trading halt or voluntary suspension technically does not relieve it of the obligation to announce information under Listing Rule 3.1 promptly and without delay.”*

### **Request for Information**

Having regard to the above, ASX asks CCX to respond separately to each of the following questions and requests for information:

1. Does CCX consider the following information, or any part thereof, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
  - 1.1 CCX’s forecast Group sales for FY24 being down ~30% to \$187 million (including Avenue) compared to FY23 (the ‘Decrease in FY24 Sales Forecast’);
  - 1.2 CCX’s FY24 forecast pro forma adjusted EBITDA post-AASB16 from continuing operations loss of \$9.3 million (the ‘FY24 Earnings Forecast’); and
  - 1.3 the signing by CCX of an agreement to divest its US based Avenue business to FullBeauty Brands for US\$12 million (the ‘Sale of Avenue’)?Please answer separately for each of the above.
2. If the answer to any part of question 1 is “no”, please advise the basis for that view.  
Please answer separately for each of the items in question 1 above.
3. When did CCX first become aware of the information referred to in item 1.1 (Decrease in FY24 Sales Forecast) and item 1.2 (FY24 Earnings Forecast) of question 1 above?  
Please answer separately for each of these items.
4. If CCX first became aware of the information referred to in item 1.1 (Decrease in FY24 Sales Forecast) and/or 1.2 (FY24 Earnings Forecast) of question 1 before the date of the First Announcement, did CCX make any announcement prior to that date which disclosed the information? If not, please explain why the Information was not released to the market at an earlier time, commenting specifically on when you believe CCX was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps CCX took to ensure that the Information was released promptly and without delay.  
Please answer separately for each of items 1.1 and 1.2 in question 1 above and provide details of the prior announcement if applicable.
5. When did CCX sign the agreement for the Sale of Avenue? In answering this question, please specify the date and time that CCX entered into the agreement.

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6. If CCX signed the agreement for the Sale of Avenue before the date of the First Announcement, did CCX make any announcement prior to that date which disclosed this information? If not, please explain why the Information was not released to the market at an earlier time, commenting specifically on when you believe CCX was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps CCX took to ensure that the Information was released promptly and without delay.

Please provide details of the prior announcement if applicable.

7. Did CCX, or anyone representing CCX, provide a statement to the media concerning the information, or any part thereof, in:
- 7.1 the First Article; and
  - 7.2 the Second Article.

Please answer separately for each of the above.

8. If the answer to question 7 is “yes”:
- 8.1 please provide a copy of that correspondence (not for release to the market);
  - 8.2 explain when (time and date), and by whom, the information was first provided to the media; and
  - 8.3 does CCX consider this to be compliant with Listing Rule 15.7? If so, please explain the basis for that view.
9. If the answer to question 7 is “no”, is there any other explanation as to how the information appeared in the First Article and Second Article, respectively?
10. What arrangements does CCX have in place to ensure compliance with Listing Rule 15.7?
11. In light of the First Article and the Second Article, what additional steps will CCX take to ensure compliance with Listing Rule 15.7?
12. Please confirm that CCX is complying with the Listing Rules and, in particular, Listing Rule 3.1.
13. Please confirm CCX’s responses to the above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its Board or an officer of CCX with delegated authority from the Board to respond to ASX on disclosure matters.

ASX expects CCX to make reasonable enquiries to put itself in a position to answer the questions above.

#### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4.30 PM AEST Friday, 12 July 2024**. Your response should be sent by e-mail to [ListingsComplianceSydney@asx.com.au](mailto:ListingsComplianceSydney@asx.com.au). It should not be sent directly to the ASX Market Announcements Office.

#### **Release of correspondence between ASX and entity**

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Kind regards

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ASX Compliance