June 7, 2021

Ms. Bonnie R. Brooks
Executive Chair of the Board
Chico's FAS, Inc.
11215 Metro Parkway
Fort Myers, FL 33966

Dear Ms. Brooks:

We have enjoyed speaking with you and Ms. Langenstein over the past few months.

Barington Capital Group, L.P. ("Barington" or "we") represents a group of shareholders of Chico's FAS, Inc. ("Chico's or the "Company") that collectively owns approximately 2% of the Company's outstanding shares of common stock. We have significant experience investing in consumer and retail and apparel companies with prior successful investments in L Brands, Avon Products, Darden Restaurants, The Children's Place, The Jones Group, Warnaco, Collective Brands, Steve Madden and others.

As you know, in 2015, after years of poor share price performance, Barington became a shareholder of Chico's. We were convinced that significant change was needed at the Company with respect to the composition of both its Board and its management team. Unfortunately, at that time, the Board believed that positive change was already underway and rejected our involvement, despite our positive track record as an experienced, value-added investor. As a result of our investment, nevertheless, the Board did take steps to improve its operating performance and governance, including the announcement of $65-$85 million in cost reductions, replacement of two long-tenured directors and commencement of a process to "de-stagger" the Board. The Board asked us to be patient and give the Company's newly hired CEO, Shelley Broader, time to execute her strategic plan, which we were told would "fully capitalize on the Company's many strengths, enhance shareholder value and drive profitable growth."[1] We lacked confidence in both Ms. Broader and the Board's ability to execute on the changes we believed were necessary to enhance value at Chico's, including improving merchandising, reducing bloated SG&A expenses and eliminating underperforming locations. We, therefore, ran a proxy contest at the Company's 2016 annual meeting to help ensure that our initiatives were heard in the boardroom.

Despite our efforts, the two largest proxy advisory firms – Institutional Shareholder Services and Glass Lewis – agreed that Ms. Broader should be given more time to continue the progress she appeared to be making. As noted by Glass Lewis, "[D]espite the Company's long-term stock price underperformance and disappointing historical financial results... at this very early stage, we're inclined to recommend that shareholders allow more time for the new CEO and new operating plan to potentially deliver improved results."[1] As a result, we made the difficult decision to terminate our proxy contest, but continued to closely monitor Ms. Broader's actions.

Unfortunately for the Company and its shareholders, our cause for concern proved accurate. Since we terminated our proxy contest on July 15, 2016, and subsequently sold our stock position, Chico's operating performance has continued to struggle. In early 2019, Ms. Broader was replaced as CEO, having overseen a highly ineffective plan. And, the Company's shares have continued to exhibit poor long-term performance. As can be seen in the table below, the Company has significantly underperformed its peers and the market as a whole over the past 3, 5 and 10 year periods, as well as since the termination date of our proxy contest:

Total Shareholder Return

	3-Year	Since 7/15/2016	5-Year	10-Year
Chico's	**-26.9%**	**-42.2%**	**-40.4%**	**-49.1%**
2021 Proxy Peer Group[2]	61.8%	114.7%	130.6%	164.2%
S&P 500 Apparel Retail Index	42.5%	58.9%	64.8%	261.7%
S&P 500 Index	59.3%	107.9%	114.5%	269.8%
Russell 2000 Index	44.6%	103.4%	111.0%	221.1%

Source: S&P Capital IQ as of 6/2/21. All returns include the reinvestment of dividends.

We, however, continue to see the potential for significantly improved operating and share price performance at Chico's. We believe the Company has a number of valuable assets, including its three distinct lifestyle brands, namely Chico's, White House Black Market ("WHBM") and Soma, niche market positioning targeting an underserved female demographic and loyal customer bases. We also believe the Company has a unique opportunity to leverage its digital investments and store footprint to create a more robust omni-channel offering.

In our opinion, the Chico's Board is largely responsible for this underperformance. Prior attempts by the Company's Corporate Governance and Nominating Committee to refresh the Board with much needed expertise in digital and women's specialty retail have been deficient. We believe change is needed at the Chico's Board.

Chico's is Trading at a Discount to its Intrinsic Value

Given the sizable underperformance in Chico's shares, we believe the Company is trading at a discount to its intrinsic value. In our opinion, the operating struggles at the Chico's and WHBM brands, which produce women's fashion clothing and accessories, have long overshadowed the positive contributions from Soma, which produces women's intimate apparel and loungewear. As can be seen in the table below, Soma's performance has generally been healthy and vastly outperformed the Company's clothing brands:

Annual Operating Performance – FY 2015-20

(in mm)	FY 2015[3]	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020[4]
Chico's	$1,364.0	$1,286.0	$1,188.0	$1,098.7	$1,045.2	$596.0
WHBM	875.0	846.0	751.0	694.8	627.3	376.2
Soma	335.0	344.0	344.0	337.6	365.3	351.8
Total Sales	$2,574.0	$2,476.0	$2,283.0	$2,131.1	$2,037.9	$1,324.1
Chico's	-2.0%	-5.3%	-7.2%	-6.8%	-4.3%	NA
WHBM	-2.5%	-2.8%	-10.9%	-4.6%	-7.9%	NA
Soma	3.1%	0.5%	-1.5%	0.6%	8.8%	NA
Total Comp Sales	-1.5%	-3.7%	-7.7%	-4.9%	-3.4%	NA
Chico's	725	707	692	680	652	640
WHBM	506	500	479	461	427	403
Soma	297	294	279	277	262	259
Total Stores	1,518	1,501	1,450	1,418	1,341	1,302
Chico's	$1.9	$1.8	$1.7	$1.6	$1.6	$0.9
WHBM	1.7	1.7	1.6	1.5	1.5	0.9
Soma	1.2	1.2	1.2	1.2	1.4	1.4
Total Sales/Store	$1.8	$1.7	$1.6	$1.5	$1.5	$1.0
Gross Profit	$1,028.3	$949.3	$864.8	$774.1	$713.0	$263.2
% Margin	38.6%	38.3%	37.9%	36.3%	35.0%	19.9%
EBITDA	$268.4	$283.5	$241.5	$144.4	$76.3	$(190.1)
% Margin	10.1%	11.4%	10.6%	6.8%	3.7%	-14.4%

Source: Company filings excluding special items.

Prior to the Covid pandemic, the Chico's and WHBM brands performed poorly under the failed operating plan led by Ms. Broader. Ms. Broader's plan took the Company's clothing assortments down-market, leading to merchandising mistakes, alienated customers and painful markdowns. In addition, Ms. Broader was unable to capitalize on the Company's leadership in online retailing. Both brands were forced to retrench.

Soma, on the other hand, has prospered. The brand benefitted from the pandemic, as prior digital investments and enhancements to merchandising and marketing brought in new customers and higher conversions. Although the Company does not provide profitability for each of its brands, we believe Soma is profitable at its current sales levels.

Soma's Niche Market Positioning is Converting Customers

Soma's focus on "beautiful solutions" driven by fit, fabric and functionality is resonating well with customers. The brand has started to carve out a point of differentiation in a growing and competitive intimates market. During a pandemic impacted FY 2020, Soma's digital sales grew a remarkable 72% and comparable sales exhibited positive growth for the last seven months of the year.[5] According to NPD Group, a consumer market research firm, Soma, for the twelve months ended January 2021, achieved sales growth in non-sport bras and panties that exceeded that of the U.S. market leader and ranked as the top five overall brand in sleepwear.[5] The average age of a new Soma customer fell by 8 years.[5] We believe these results speak to the quality of Soma's product, its inclusive marketing message and deep customer loyalty. Clearly, the Company's digital-led retailing strategy is converting online customers at Soma and working to broaden the brand's demographic reach.

We see a tremendous opportunity to expand Soma through continued digital growth and incremental store additions where needed. We are confident that Soma, post-Covid, is in a strong position to further capitalize on its gains.

Recent Valuations for Intimate Apparel Brands have been Strong

Over the past two years, two upstart brands have completed funding rounds led by well-known venture investors at very attractive valuations. Specifically:

- ThirdLove, a direct-to-consumer intimates brand that caters to a wide variety of women's shapes and sizes, completed a 2019 funding round at a valuation of $750 million or 6x its run rate revenue of $125 million. The round was led by L Catterton and Allen & Company. Prior investors in earlier rounds included NEA and Andreesen Horowitz. ThirdLove's revenue has been strong, growing by 70% and 14% in FY 2018 and 2019, respectively.[6]
- Savage x Fenty, a digitally-native, fashion-oriented lingerie and sleepwear brand founded by singer and designer Rihanna, was valued at $1.0 billion in its 2021 funding round led by L Catterton. Prior investors in earlier rounds included Jay-Z's Marcy Venture Partners and Avenir Growth Capital. Revenue was estimated to be up 200% in FY 2020.[7]

Based on these transactions and other market data, we believe Soma's value is not being fully reflected in the Company's enterprise value. It seems clear to us that the poor historical performance at the Chico's and WHBM brands is detracting from Soma.

Soma is Likely Worth the Company's Entire Enterprise Value

We estimate that Soma could be valued at 1x-3x LTM revenue or approximately $350 million to $1.1 billion. This valuation suggests that Soma is most likely worth the Company's current enterprise value of $644 million and possibly more as seen in the table below:[8]

Estimated Soma Value and Implied Value for Chico's and WHBM Brands

(in mm)	**Soma Revenue Multiple Range**		
	1.0x	**2.0x**	**3.0x**
Chico's Enterprise Value[8]	$643.9	$643.9	$643.9
Potential Soma Valuation			
FY 2020 Revenue	$351.8	$351.8	$351.8
Estimated Enterprise Value	$351.8	$703.7	$1,055.5
Implied Valuation for Chico's and WHBM			
Implied Enterprise Value	$292.1	$(59.7)	$(411.6)
Combined FY 2020 Revenue	$972.2	$972.2	$972.2
Implied Multiple	0.30x	NA	NA
Combined FY 2019 Revenue	$1,672.5	$1,672.5	$1,672.5
Implied Multiple	0.17x	NA	NA

Source: S&P Capital IQ as of 6/2/21 and Company filings excluding special items.

Even though the Chico's and WHBM brands have seen years of poor operating performance, their combined revenue base in FY 2020 was nearly $1.0 billion. This performance suggests to us that both apparel brands still maintain a strong customer following. In fact, we see no reason why both brands cannot recover to their FY 2019 levels. We believe the Board must address this valuation discount promptly.

New CEO's Plan Appears Promising

We are pleased with Molly Langenstein's involvement with the Company, first as President of the Apparel Group in August 2019 and, since April 2020, as President and CEO. To-date, we see promise in her leadership.

We believe Ms. Langenstein has a deep understanding of the core customer for each of the Company's brands. Moreover, we believe Ms. Langenstein is returning each brand to its roots by building merchandise assortments around quality fabric, fit and fashion. We know from our history with Chico's that these merchandising elements are critical to its loyal customer base. Most importantly, Ms. Langenstein is leading with digital by developing exciting marketing and social messages for each brand, launching online tools that expand customer engagement and units per transaction and building an omni-channel distribution framework that leverages the Company's store footprint.

We believe Ms. Langenstein's digital-led initiatives and merchandising improvements may be beginning to pay off. The Company's omni-channel customers are now spending 3.5x more than single channel customers.[5] As can be seen in the table below, the Company saw a marked improvement in comparable store sales for the Chico's and WHBM brands in Q4 FY 2019 and for all brands in Q1 FY 2020:

Quarterly Sales Performance – FY 2019-20

(in mm)	FY 2019					FY 2020[4]				
	Q1	Q2	Q3	Q4	FYE	Q1	Q2	Q3	Q4	FYE
Chico's	$276.7	$268.9	$250.0	$249.6	$1,045.2	$131.4	$139.6	$163.8	$161.1	$596.0
WHBM	160.9	139.8	154.9	171.6	627.3	83.9	82.3	104.0	106.0	376.2
Soma	80.1	99.6	79.8	105.8	365.3	64.9	84.3	83.5	119.1	351.8
Total Sales	$517.7	$508.4	$484.7	$527.1	$2,037.9	$280.3	$306.2	$351.4	$386.2	$1,324.1
Chico's	-7.8%	-5.6%	-3.6%	0.9%	-4.3%	NA	NA	-32.6%	-34.4%	NA
WHBM	-10.0%	-16.1%	-5.7%	0.1%	-7.9%	NA	NA	-28.7%	-36.0%	NA
Soma	3.4%	10.9%	11.3%	8.4%	8.8%	NA	NA	10.5%	15.2%	NA
Comp Sales	-7.0%	-6.1%	-2.2%	2.2%	-3.4%	2.7%[9]	NA	-24.1%	-24.9%	NA

Source: Company filings excluding special items.

Barington Believes there are Multiple Paths to Enhance Value at Chico's

Improve Board Composition with Relevant Expertise and More Diversity

We believe the Company needs to bring on new directors that will bring fresh perspectives and insights to Chico's. We recommend the following:

- The Company must add directors with relevant experience in the areas of digital commerce, merchandising and marketing and women's fashion specialty retail. We believe the Board has been highly deficient in these two areas for years.
- The Company must add directors that further improves the ethnic, racial and gender diversity of the Board. As the Company's customer base changes and likely becomes more diverse, we believe it is critical for the Board to have voices that reflect the merchandising needs of these new customers. We also believe this step reflects good corporate governance.

Most importantly, all directors need to think and act like owners. Given the Company's weak long-term share price performance, we believe it is critical for the Board to have directors that truly represent the best interests of shareholders.

We believe it's time for three long-tenured directors, namely John J. Mahoney, David F. Walker and Stephen E. Watson, to step down from the Board. In our opinion, these directors:

- lack relevant specialty retail experience in women's fashion apparel;
- have overseen a significant destruction in long-term shareholder value;
- endorsed Ms. Broader's hiring and failed strategic plan; and

- have neglected their governance responsibilities to shareholders to adequately refresh the Board with relevant expertise in digital and women's fashion specialty retailing.

We were highly disappointed to see that the Company has again agreed to nominate these directors to its Board at the upcoming annual meeting scheduled for June 24th.

Furthermore, we are not convinced that Chico's newest director, Kevin Mansell, who spent 35 years at Kohl's, a large box apparel and accessories retailer, brings the right expertise to the Board. Even more troubling is the fact that Mr. Mansell and Mr. Watson have a long history together. Mr. Mansell served as Chairman, President and CEO of Kohl's from 2009 until his retirement in 2018. Mr. Watson served as the Lead Independent Director at Kohl's from 2006 to 2020.

Expand Financial Disclosure

The Company provides only sales and store count disclosure for each of its three brands. Given each brand's relative equal size, product differentiation and market opportunity, we believe shareholders deserve to see more disclosure. In fact, we believe that failing to disclose such information is irresponsible.

We recommend that the Company provide full segment detail for its brands, including gross profit, operating income, depreciation and amortization and capital expenditures. We believe the added disclosure will help investors to better assess the financial performance and relative valuation of each brand.

Maximize Operating Performance

We believe the Company must continuously strive to improve operating results. This begins with outstanding product that reflects the aspirations and needs of each brand's customers. It must also incorporate digital engagement to drive customer interaction and excitement. We are pleased to see that Ms. Langenstein's merchandising strategy is highly focused on these two areas. In order to drive revenue growth, we believe it is imperative for the Company continue to innovate its product and invest in its business.

During FY 2020, in response to the pandemic, the Company took some bold steps to reduce expenses by improving sourcing, eliminating SG&A costs, closing underperforming locations and reducing inventory. As the economy opens ups and revenue recovers, we cannot stress enough how important it is for the Company to continue to maintain its operating and cost discipline. Tighter control of inventory and costs will lead to higher gross margins and improved operating leverage. We expect continued conservatism in these areas will lead to a dramatic improvement in profitability during FY 2021.

Explore Strategic Alternatives

We believe it is incumbent on the Board to address the sizable valuation discount in the Company's share price relative to the much larger intrinsic value of its brands. We recommend that the Board with its financial advisor consider a range of strategic alternatives for the Company and each of its brands.

The re-opening of the economy coupled with improved merchandising, cost reductions and other efficiencies enacted at the Company last year will enable the Board to better assess each brand's performance and potential. We would expect the Board to evaluate all alternatives that will unlock the tremendous value we see in the Soma brand in light of the pace of recovery at the Chico's and WHBM brands.

Conclusion

Barington is an investor with a 20-year history of working constructively with management teams and boards to improve long-term shareholder value. We have deep expertise in consumer and retail and apparel companies.

We believe the Company is at a critical inflection point in its history as a specialty retailer. The pandemic exacerbated many challenges that were negatively impacting store-based retailers, but at the same time accelerated many opportunities for retailers to capitalize on their digital investments. We believe the Company is well-positioned to benefit from the ongoing shift to digital-led retailing due to its three distinct, lifestyle brands – Chico's, WHBM and Soma – that focus on an attractive, but underserved female demographic.

We are confident that if the Company takes the steps outlined above with respect to Board composition, financial disclosure, improved operating results and the exploration of strategic alternatives, it will create substantial long-term value for the benefit of all Chico's shareholders.

We look forward to continuing our discussions with you.

Sincerely yours,

James A. Mitarotonda

cc: Janice L. Fields, Director
Deborah L. Kerr, Director
Molly Langenstein, President, CEO and Director
John J. Mahoney, Director
Kevin Mansell, Proposed Lead Independent Director
Kimberly Roy Tofalli, Director
David F. Walker, Director
Stephen E. Watson, Director

[1] Barington Capital Group, L.P., "Barington Group Terminates Proxy Solicitation at Chico's FAS, Inc.," PR Newswire, July 15, 2016.
[2] Based on the Compensation Peer Group in the Company's 2021 Proxy Statement, including Abercrombie & Fitch Co., American Eagle Outfitters, Inc., The Buckle, Inc., Caleres, Inc., Capri Holdings Limited, The Cato Corporation, The Children's Place, Inc., Designer Brands Inc., Express, Inc., Genesco Inc., Guess?, Inc., Lululemon Athletica Inc., Oxford Industries, Inc., Urban Outfitters, Inc. and Zumiez Inc. Ascena Retail Group, Inc., RTW Retailwinds, Inc. and Tailored Brands, Inc. filed for bankruptcy in 2020 and were removed from the peer group.
[3] Excludes Boston Proper brand which was sold in FY 2015.
[4] Chico's did not provide comparable store sales for these periods due to the Covid impact on revenue.
[5] Based on Company filings.
[6] Ingrid Lunden, "ThirdLove, the direct to consumer lingerie startup, gets $55M boost," TechCrunch, February 26, 2019.
[7] Kori Hale, "Rihanna's Savage X Fenty Reaches $1 Billion Valuation in Lingerie Equity," Forbes, February 16, 2021.
[8] Enterprise value includes $55.2 million in a Cares Act tax receivable expected to be realized in the first half of FY 2021 and excludes operating leases.
[9] Reflects the first four weeks of the quarter prior to the Covid outbreak.