



GROUND FLOOR
61 DUNNING AVENUE
ROSEBERY NSW 2018

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ASX Release

14 January 2020

Trading Update

Consistent with previous years, Mosaic Brands Limited (ASX: MOZ) today issued a trading update for the FY2020 first half ended 29 December 2019. This announcement comes at a sombre time and our thoughts are with all those affected by the devastating bushfires raging throughout our beautiful country.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA*) for the half year are expected to be in the region of \$33 million, an increase of approximately 13% over the same period of FY2019 (\$29.1 million). EBITDA (after non-recurring project costs) is expected to be circa \$32 million, up 36% from \$23.5 million.

As outlined at the AGM in November, in a continuing difficult and changing retail environment the Group continued its strategy of prioritising gross margin over sales during the period. As a result, percentage gross margin successfully increased to circa 59%, up from 56%, driven by cost price improvements and a more disciplined approach to discounting. This strategy led to comparable sales for the period to the end of October being down 4%.

However, comparable sales through the second half of November and throughout December, a critical sales period for the Group, were significantly impacted by the ongoing bushfire tragedy. 20% of the Group's stores have been directly impacted by the fires, and some 32% of the Group's 1,386 stores are located in regional areas where consumer confidence has been particularly fragile. As a result, comparable sales for the half were 8% lower than last year.

Online sales, excluding sales by EziBuy, contributed 10% of total Group revenue, validating the Group's decision to increase investment in its digital strategy to deliver ongoing growth.

Cash conversion was strong and the balance sheet remains in excellent shape, with net cash of circa \$4 million at 29 December 2019. As a result, the board anticipates a dividend for the period consistent with the company's dividend policy of 60-70% of profit after tax.

The Group is well prepared for the second half, with a dedicated team, excellent product and a healthy stock position. Management is confident of delivering consistent earnings growth in the future, subject to external conditions. Second half earnings are anticipated to demonstrate higher growth, relative to FY2019, than in the first half, particularly given the extraordinary external factors that have impacted first half revenue.



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Further information, including an update on expectations for the Group's full year results, will be provided in the company's first half results announcement in late February 2020.

Please note that all figures in this release are subject to verification by the company's auditors.

Mosaic Brands' Response to the Bushfires

The Group continues to monitor this catastrophic situation closely to ensure the safety of its team during these very difficult conditions. It is relieved to be able to report that, to date, all team members are safe.

Mosaic Brands' team members and stores have strong relationships with their communities across the country – especially in many of the regions affected by the bushfires. To help support our customers and the communities that have suffered such devastating losses, the Group has made a donation of \$50,000 to the St. Vincent de Paul Bush Fire Appeal and has pledged to donate clothing with an approximate value of \$860,000 (at cost price) to the GIVIT charity.

ENDS

For further information, please contact:

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Notes:

* EBITDA is a non-AAS financial measure, defined for the purposes of this document as earnings before interest, tax, depreciation, amortisation, non-recurring income/expenditure and certain non-cash items such as share based payments and unrealised foreign exchange gains/losses and excludes restructure and acquisition costs and has been adjusted to normalise the impact of AASB16 accounting treatment.



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