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Trading Update Mosaic Brands Limited (ASX: MOZ)

- First half EBITDA expected to be between \$40m - \$45m, materially exceeding market consensus, and up between 22% - 38% compared to the previous corresponding period.
- Strong Online performance continues with year-on-year sales growth of 31% and online product offering growing to 350,000 SKU's spanning 30 categories.
- Record Black Friday sales +100% vs LY.
- Cash holdings at 31 December 2020 of circa \$110m +124% to prior year, Group net cash of circa \$65m (last year \$4.5m).

Mosaic Brands Limited (**Mosaic** or the **Group**) today announced a trading update for the first half of FY2021 ending 27th December 2020.

This period saw the Group return to profitability in line with the update of 29th October 2020, and although it is continuing to finalise accounts, it is likely EBITDA will materially exceed market consensus.

The lift in EBITDA on the previous corresponding period (PCP) was inclusive of Job Keeper payments, the ongoing focus on margin improvement and the Group rapidly expanding its online offering.

Mosaic saw its largest ever lift in online trading with Black Friday sales up 100% percent on the previous year, with the Group now offering approx. 350,000 SKU's online compared to 250,000 SKU's three months ago.

Group-wide online sales were up 31% on the PCP and now represent approx. 17% of turnover.

Mosaic Brands CEO Scott Evans said that given the external challenges faced over the period, it was encouraging to see the continual month-on-month improvement in sales. Record Black Friday sales were followed by a solid Christmas trading period.

"As stated in 2020 we are seeing profound and permanent shifts in the retail sector," said Mr Evans.

"We have moved swiftly to embrace this by realigning our rental costs, store footprint and rapidly building our online offer.

"A core strategy for the Group is also to focus on margin growth rather than chasing sales at any cost. This delivered an improvement on the -18.8% comparative sales in quarter one to finishing the half at -15%.

"There was a notable shift late in the trading period as our specific market segment avoided shopping centres due to renewed concerns regarding COVID-19. Despite this, overall December comparative sales proved resilient at 4% down on the previous year.

"Overall our ongoing margin growth strategy resulted in a comparative margin drop of only 5.6% for the half.



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"The result of the Group's better than expected trading is a strengthened balance sheet underpinned by cash holdings at its highest ever level and an overall improvement in the net asset position from 28 June 2020.

"With the Group also holding circa 50% less stock than it did 12 months ago, Mosaic is well positioned for the second half."

Mr Evans said the safety and well-being of the Mosaic team and customers would remain paramount.

"The accelerated vaccination program recently announced by the Federal Government should see the vast majority of our core customer base, and a large number of our frontline team, vaccinated by around the middle of the year.

"However recent weeks have been a most salient reminder that navigating some of the trading challenges we faced in 2020 - most notably COVID-19 - remain, and that future retail reform can't be paused."

The company will provide further details at its half-year announcement in February.

All figures in this release are unaudited and are subject to verification by the company's auditors, all numbers in this release exclude EziBuy.

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Note:

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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