MOSAIC BRANDS LTD

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Mosaic Brands 1H 2021 results

- **Underlying EBITDA* for the period of $45.1m up 38%.**
- **Record online sales up 27% on the previous corresponding period, with online products available growing to over 350,000 SKUs as customers diversify purchasing behaviour.**
- **Net Cash holdings up, closing on $65.3m from $5.4m in the PCP.**
- **Strategy of margin growth results in -5.6% comp store margin against -15% comp store sales with statutory gross margin increasing to 61%**.**
- **Group expects a return to sales growth on the back of COVID-19 vaccine tailwinds in FY22.**

Mosaic Brands (**Mosaic** or the **Group**) today announced an underlying profit before interest, tax, depreciation and amortisation (EBITDA*) of $45.1m, inclusive of JobKeeper benefits, for the half year to 27 December 2020.

The result is a 38% increase on the previous corresponding period (PCP).

Net Cash for the Group of $65.3m against $5.4m on the PCP (+$59.9m), with record online sales up by 27 percent.

Mosaic CEO Scott Evans said, “The result was driven by a number of initiatives to reset the Group for a post-COVID economy, including a continued focus on margin growth and reducing stock levels by $92m, or 55%. We also closed unprofitable stores and grew our online offering from 25,000 products to over 350,000 in just 12 months.

“Since 2015 the Group has delivered consistent year-on-year profitability improvements. However, COVID-19’s impact saw Mosaic report a half-year loss for the first time as at June 2020.

“Whilst JobKeeper was an invaluable element in managing through the last 10 months, having now ended, Mosaic has transitioned through its toughest ever trading period, strengthened its balance sheet and returned to its track-record of profitability.

“Given the unique demographic of our customers we did not see, nor expect, a short term stimulus sugar hit to sales. However, conversely we are now planning for a longer term sustainable lift in sales due to post vaccine tailwinds as many of those same customers emerge from hibernation,” said Mr Evans.

In the short term Mosaic expects to continue to operate in a mask economy where customer sentiment can shift on a day by day basis as evidenced by State and city-wide lockdowns and health orders.

"As the vaccine rollout gets underway we expect our customers will more confidently return to spend in-store and shopping will resume as a social outing as opposed to a targeted mission," continued Mr Evans.

Customers embraced Mosaic's expanding online department store offer, delivering $52m in sales over the last six months, growing by 27% on PCP and representing 17% of total revenue.

EziBuy continues to execute on its turnaround strategy and remains a strategic opportunity for the Group.

Outlook

As it has been from the outset of the pandemic, the health and safety of Mosaic's team and customers are paramount and the Group remains supportive of the need to implement sensible, evidence-based health orders.

Whilst January has continued the recent trend of sales improvement, the Group will not provide an outlook for the second half as it remains particularly volatile with store or State-wide shutdowns remaining a real possibility until the vaccination program is completed.

As a result of the continued uncertainty, the Board will continue to preserve cash and therefore a dividend for the half will not be issued.

Mosaic Brands' Group Managing Director and CEO, Scott Evans and Chief Financial Officer, Luka Softa will host an investor call to discuss the company's 1H FY21 results on Wednesday, February 24th, 2021 at 1pm (Sydney time).

The dial in is 1 800 093 431 (Toll Free)
To access your conference call outside of Australia dial +61 2 8047 9393
Enter the PIN: 81426441#

For further information, please contact:

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Notes:
All amounts referenced exclude EziBuy contribution unless otherwise specifically stated.
*EBITDA is a non-AASB 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.
** Gross margin adjusted for unrealised movements in foreign exchange