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ASX Announcement

30 July 2021

Mosaic Brands Limited Quarterly Activities Report – Q4 FY2021

The Board of Directors of Mosaic Brands Limited (ASX: MOZ) releases its cash flow report (Appendix 4C) for the quarter ending 27 June 2021 ("the quarter") and provides an update during the quarter. All amounts in the following announcement exclude Ezibuy contribution unless otherwise stated.

Summary

- Group underlying EBITDA* of approx. \$48 million for FY21, in line with guidance.
- Online sales accelerated to \$111 million growing by 19% on the previous corresponding period (PCP) and contributing 19% of total revenue.
- Q4 comp store growth of +27.9% and comp gross margin up 133% on the PCP as customer sentiment rebounded on initial vaccine rollout and no lockdowns.
- FY21 record net margin of 59.4% v 47.6% on the PCP.
- Cash inflow from operating activities for Q4 FY21 ended at \$53 million, reflecting the strong final quarter including the Mother's Day period (includes EziBuy)
- Debt owing at the end of Q4 was reduced by 64% to \$31.5 million from \$86.5 million PCP (including EziBuy).

Principal activities

Mosaic Brands owns and operates nine retail clothing brands, predominately within women's apparel and accessories within Australia and New Zealand, sold through its network of circa 1,050 stores and its online digital department platforms. Mosaic also has a 50.1% ownership of EziBuy a New Zealand Online digital apparel brand.

FY21 Commentary

The Group expects to deliver an underlying EBITDA* of approximately \$48 million for FY21, in line with the guidance provided.

As foreshadowed at its update in May, Mosaic saw strong month-on-month improvements in H2 store sales as the vaccine rollout and absence of lockdowns grew customer confidence. Coupled with the return to in-store shopping we also saw continued growth in the Group's digital department store sales with total Online revenue increasing by 19% against PCP to \$111 million. Third party dropship product is now generating \$16.2 million vs \$5.5 million PCP (+192%) and now offering over 1,500,000 SKU's (vs 150,000 PCP).



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Quarter 4 delivered the Group's second-best EBITDA* performance for the period in over seven years.

Cash inflows in operating activities for Q4 FY21 (including EziBuy) ended at \$53 million with seasonally high cash holdings of \$57.8 million and a net cash position of \$26.4 million (vs LY \$436k).

FY22 Trading and COVID-19 Update

The renewal of lockdowns nationwide, subsequent store closures and dampening of consumer confidence throughout the July period has impacted all retailers including Mosaic Brands.

Due to the severity and unknown length of the current lockdowns, the Group no longer considers it appropriate to provide guidance for FY22 (this guidance previously having been provided subject to no further lockdowns). The Company has also, as it has previously done, taken decisive steps to ensure team and customer safety as well as cost and inventory management given the uncertain duration of the lockdowns.

The Group entered FY22 with solid momentum and continued digital online department store revenue growth (+13.3% year to date). However, the severe recent and ongoing lockdowns have impacted in store sales in the short term.

Once lockdowns cease and the vaccine roll-out advances, Mosaic Brands will be well positioned to come out of the current environment strongly, as evidenced in Q4 trading, and return to sustainable profitability.

Related party payments made during the quarter

During the quarter MOZ made rental payments of \$95,000, Board Fees of \$30,000. EziBuy incurred 3PL distribution costs of \$128,000 and interest payments of \$56,000. Rental and 3PL distribution costs paid were at normal commercial terms and conditions.

Use of Funds Statement

The Company confirms that the quarter is not included in a period covered by a "use of funds" statement or expenditure program in a prospectus, PDS or information memorandum previously lodged under ASX Listing Rule 1.1.



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– END –

All figures in this update and in the published Appendix 4C are subject to verification by the company's auditors.

The release of this announcement was authorised by Luke Softa, Chief Financial Officer and Company Secretary

For further information, please contact

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Note:

- All amounts referenced exclude EziBuy unless otherwise specifically stated.
- All amounts included in this statement are subject to Audit and may change.
- Previous corresponding period is abbreviated to "PCP" in this document

*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 and includes job keeper benefits received in the first half.