

Mosaic Brands Limited (ASX:MOZ) - ASX Announcement

20th January 2022

FY2022 H1 Trading Update – Online revenue hits record \$119m and Group delivers comparable store sales growth.

Summary

- Group achieves record \$119 million of online sales. Mosaic Online sales up 21% against prior corresponding period (PCP). EziBuy up 10.6%.
- The Group delivered its second successive half of comparable store growth with FY2022 H1 achieving +1% (PCP) and total Group revenues of \$298 million.
- FY2022 H1 EBITDA* expected to be approximately \$8 million, despite 49,489 store trading days lost in the half, 16% above broker estimates and up \$9 million on comparatives from the PCP (excluding JobKeeper benefits).
- Mosaic finalises new \$59 million credit facility with Commonwealth Bank.

Trading Update

Mosaic Brands Limited (**Mosaic** or the **Group**) today provides a trading update for the first half of FY2022 ending 26th December 2021.

“Notwithstanding the last six months being the most challenging trading period of this pandemic to date, our continued digital acceleration delivered 40% of Group revenue,” said Mosaic Brands CEO Scott Evans.

“This latest result further highlights the global trend of the over-50’s consumer embracing the online channel, with sales for the first half of FY2022 up 21% for Mosaic Brands, including a record Black Friday sales period. This is further echoed as we move to completing the full ownership and turnaround of EziBuy*, with its online sales also up 10.6% for the period,” said Mr Evans.

“Underpinning this online growth is our increased investment in digital talent and our relentless focus to increase the number of third-party SKU’s we’re offering on our sites, which has grown from 200,000 to over 3.5 million covering 30 categories in just two years. We remain on track to achieve our goal to offer over 8 million SKU’s by mid-2025.”

Mr Evans said throughout the pandemic a clear and consistent pattern had emerged of in-store customers hibernating when the news was bad but swiftly remerging to spend once they felt safer.

“Across the Group we have lost just under 50,000 store trading days during this half through complying with Covid-related health orders or deciding independently to close stores for the health and safety of our team and customers. That was more than double the trading days lost for the same period a year ago.

It’s particularly pleasing given that, notwithstanding the immense challenges we faced, Mosaic’s comparable store sales rebounded throughout the key November and December Christmas period as the lockdowns ended and finished the half at +1%, resulting in the Group now delivering two successive halves of comparable growth.

Although the rapid spread of the new Omicron variant is currently impacting centre traffic, the reset and stock planning we’ve undertaken across the entire business means we’re well positioned and prepared to weather this latest wave,” said Mr Evans.

The Group expects EBITDA for the first half to be in the order of \$8 million, 16% above broker estimates and an increase of \$9 million on the PCP (excluding JobKeeper), with net cash ending at \$38 million.

Mosaic has now completed its new facility with the Commonwealth Bank for \$59 million of funds. This more than doubles the Group’s previous arrangements and sees it fully funded.

All financial figures in this release are preliminary in nature and are subject to finalisation and review by the company's auditors. The Group will provide a full update when it posts its first half FY2022 audited financial results in February.

Convertible Notes

As outlined in the replacement prospectus dated 28 September 2021 (**Prospectus**) interest accrued to the first interest payment date of 31 December 2021 will be capitalised. The effect of this on the Convertible Notes is as follows:

Number of Convertible Notes on issue	Face Value	Issue Date*	Interest Calculation Date	Days Capitalised	Face Value + 8% capitalised Cash Interest* (Notional Note Principal Amount)
32,017,808	\$1.00	13/10/21	31/12/21	79	\$1.0173

Ends

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***Notes:**

1. 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.
2. ASX has asked that the previous shareholder approval for the EziBuy acquisition be refreshed. Further details will be set out in the notice of meeting to be distributed in the coming weeks
3. Issue date refers to the date a Convertible Note was first issued under the Note Terms (which terms are set out in section 4.1 of the Prospectus).
4. Additional Interest on convertible notes is only payable if an Event of Default outlined in section 4.1.8(a)(i) or 4.1.8(a)(ii) of the Prospectus has occurred, which would allow the Convertible Note holder to have a higher secured claim. There being no Event of Default having occurred under section 4.1.8(a)(i) or 4.1.8(a)(ii) of the Prospectus then the Additional Interest Rate will be deemed to be 0.00%.