

Mosaic Brands Limited (ASX:MOZ) - ASX Announcement

24th February 2022

Record online revenue, stores see second successive half of growth.

- Mosaic Brands first half FY22 online sales of \$122 million up by 21% on the previous corresponding period ("pcp") delivering 41% of Group's \$298 million revenue for the half.
- Group achieves record Black Friday and Cyber Monday sales with third-party online sales of \$15.6 million for the half up 75% on the pcp.
- Second successive half of comparable store growth up 1% (pcp) despite 49,489 store trading days lost.
- Cost of Doing Business (CODB) reductions of \$47 million offset JobKeeper benefits received in the pcp.

Mosaic Brands (Mosaic or the Group) has today released its half year results to 26 December 2021.

"Despite a significant sales hit from the loss of nearly 50,000 trading days, combined with no benefit from JobKeeper in the period, the Group ended the half up on the previous period delivering an \$8 million EBITDA* compared to -\$1 million last year (excluding JobKeeper benefit) with EziBuy contributing \$3 million.

"The result included the second successive half of comparable store growth in some of the most challenging conditions and closures we've seen in the pandemic to date, including the emergence of the Omicron variant impacting customer confidence late in the half," said Mosaic CEO Scott Evans.

Mr Evans said he expected growth to accelerate in the next three years driven by a permanent and ongoing shift to online shopping aligning with stores trading unimpeded.

"What we've been managing in the last two years are two-speed trading conditions with online frankly booming but stores being at the mercy of lockdowns and customers' COVID concerns.

"What we've also seen in that time is three separate and brief trading windows with both online and stores operating unimpeded, resulting in growth and profitability surging each time."

Mr Evans said in the absence of any new COVID variants, the Group was confident store trading would return to more normal patterns into 2022 as health orders were eased.

Mosaic's reset strategy aimed at positioning the Group for a post-COVID retail sector was completed in the half, including a \$47 million dollar reduction in the cost of doing business.

Our core focus continues to be investment in digital talent and continued growth of third-party online product offerings to Mosaic's 7.7 million strong customer database.

In the half \$15.6 million of revenue was delivered by third-party vendors, an increase of 75% on the previous corresponding period, almost more than the entire FY21 full year.

In two years, the number of online SKU's has grown from 150,000 to over 3.5 million covering 30 categories.

The Group remains on track to achieve a target of 8 million SKU's by 2025, delivering \$500 million in online revenue.

"In the US, \$1 out of every \$5 spent on apparel online is now coming from the wallet of baby boomers and that figure is growing," said Mr Evans. "Among our over 50s customer set we're seeing a similar pattern with record Black Friday and Cyber Monday sales.

"Given this demand our natural next step is to expand to the United States, United Kingdom and several other international markets. Those countries are ideally placed to offer our brands to customers shifting online but often underserved in their markets because of outdated perceptions about how and where they shop. This is a very exciting new chapter for Mosaic and we've already begun rolling out our sites in a staggered manner," said Mr Evans.

Outlook:

Mosaic finalised a new \$59 million credit facility with Commonwealth Bank in the half, more than doubling its existing facility.

It is fully funded and well positioned to capitalise on the shifts in customer purchasing behaviour over the next three years locally and internationally.

As earlier stated, it remains on track to reach its \$500 million annual online revenue target by FY25, with the halfway point expected to be almost reached as early as June 2022.

Consistent with other retailers' commentary in recent weeks, the Group has seen weak in-store trading in January and into the first weeks of February driven by customer concerns around the Omicron variant. The expectation is as health orders ease or are rescinded these concerns will ease as we have seen three times now.

However, given that the trading outlook remains uncertain and volatile early in the second half, it is not prudent to provide or update any short-term guidance.

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. The Group received \$46.9m in benefit from JobKeeper in first half FY21