

Media Release - Mosaic Brands Limited (ASX: MOZ)

Mosaic to return to profit in FY23

- Mosaic Brands is confident the Group will return to its track-record of profitability in FY23.
- Customers return to in-store shopping with year to date (YTD) sales to end-October up +\$51m (+54%) on previous corresponding period (PCP)
- YTD comparative in-store sales up +21%
- The Group is in its “best shape operationally ever” with average store costs down a third of what they were pre-Covid and key brands performing well online
- Customer set likely to be relatively less impacted by inflation and rising interest rates

Mosaic Brands (Mosaic or the Group) today provided shareholders with an operational update at its Annual General Meeting.

Chairman Richard Facioni told the meeting while the Covid virus remained in the community the removal of most restrictions has seen confidence slowly return among its customers.

“The lifting of a Covid cloud that has impacted the Group so substantially, is welcome for all stakeholders. For our shareholders, we are confident that will see a return to profit in FY23 for the Group.”

Mr Facioni said the Group had reset its entire operations throughout the pandemic.

“This included rapidly building online and in-store operations that compliment rather than cannibalise each other,” he said.

Other changes included A \$87 million reduction in costs in FY22¹, the closure of over 400 stores with uncommercial rents in the last three years and a multi-million-dollar investment in a state-of-the-art e-commerce distribution hub which opened earlier this year.

“The Group is, in my opinion, in its best shape operationally ever,” Mr Facioni said.

¹ Normalising for JobKeeper

Mosaic Brands CEO Scott Evans told shareholders that rising interest rates and inflationary forces would not hit the Group's customers as hard as COVID.

"While not exactly welcoming those forces, we feel far more comfortable and confident in controlling them compared to Covid. Rising interest rates don't close 1,000 stores overnight."

Interest rate rises benefit many customers who had savings rather than mortgage repayments, while banking data provided to the Group showed its customer set was likely to be the least impacted by inflation.

Mr Evans said the groups BIG strategy would deliver 11 new Rivers megastores by the end of FY23 and the reset conducted over the past three years had resulted in the average cost of operating the Group's 916 stores nationwide being a third less than they were pre-Covid.

Digitally the Group had gone from offering customers 150,000 SKUS in 2019 to 6.2 million today.

"As we embark on our all-important Christmas trade over the next eight weeks, we are fully prepared and ready to maximise this key trading period. All brands are well stocked with fresh summer collections, all stores are expected to trade unimpeded and our strategies for Black Friday are exceptionally well placed to deliver the result we expect," said Mr Evans.

ENDS

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Notes:

* 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.