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Mosaic Brands delivers $33.5m turnaround and accelerates BIG strategy with 40 new mega stores planned for FY24

- Group delivers a $33.5m EBITDA turnaround. FY23 EBTDA[1] of $17.1m against FY22 loss of $16.4m.
- Comparable in-store growth for FY23 of 9.6%, with absolute sales growth of 6% compared to the previous corresponding period (pcp).
- Group plans to launch 40 mega stores, largely in regional areas, as part of transitioning to become a more ageless, value-driven, big box retailer.

Mosaic Brands ("Mosaic" or the "Group") today releases its FY23 results, strategic update, and outlook for FY24.

FY23 results.

Group results were in line with its market update of July 21st 2023, with an EBTDA[1] of $17.1m for FY23 against a loss of $16.4m in the prior year.

The Group delivered 6% absolute sales growth over FY22 with 148 fewer stores with store-only comparable sales finishing up on the year at 9.6% compared to the previous corresponding period ("pcp").

"This $33 million turnaround is not simply a result of customers returning to in-store shopping post the pandemic," said Mosaic Brands CEO Scott Evans.

"It is a recognition by the Group that retail has forever changed, customer expectations have shifted dramatically and that resuming our consistent pre-Covid profitability required taking a leap forward rather than taking a step back."

Mr Evans cited the growth of online, which now contributes a fifth of Group revenue and saw 4.4 million items shopped in FY23, and the shift towards big box retailing and away from higher-rent, smaller-format stores as key elements of the turnaround.

The Group's BIG Strategy for digital and stores has been driven by changing customers' expectations and attitudes aligned with an increased demand for value-driven retail.

"Mosaic Brands has survived the pandemic-induced downturn and emerged as a more value-driven, operationally-lean, and strategically-focused organisation that has a clear vision as to where future growth opportunities in the retail landscape sit," Mr Evans said.

Notwithstanding the significant turnaround and return to profitability, the Board has determined it prudent to not declare a dividend for FY23. Mosaic looks forward to returning to paying dividends in the near future.

Acceleration of BIG Strategy to meet shifting customer needs.

Mr Evans said 40 new mega stores, which are typically three times more profitable than mall or standard size stores, are planned to be rolled out in FY24 – the majority located in regional Australia.

Significant investment and roll out of a new Group's online platform, including AI-powered customer analysis, is expected to be completed within the first quarter of FY24.

"Our BIG Strategy sees Mosaic Brands maintain and expand our core customer base, as seen in the Rivers brand, while drawing in an increasingly value-conscious cross-section of the community," said Mr Evans.

"The outcome is Mosaic Brands transitioning to become a more ageless, value-driven big-box retailer across Australia and regional Australia in particular," he said.

Outlook

Customer sentiment and confidence remains volatile, with June and July seeing a slowdown as a result of the most recent interest rises.

However, August has seen a strong bounce back with the Group's in-store sales up 10% against FY23 for the month.

The Group's continued investment into digital continues with the move to a Salesforce platform to deliver the expanding local and international online offering.

The transition to this new platform throughout the first quarter is expected to impact digital revenue in the short-term, but will be completed before the key trading periods.

A continued broad-based consumer flight to value should also support sales leading into Black Friday and Christmas trading.

The Group's performance will be underpinned by a highly efficient cost structure, with cost of products for the first six months of FY24 approx. 9% better than the prior period and lower than pre-Covid levels.

Logistics and shipping costs are continuing to reduce from the highs of FY23 and rents have adjusted to deliver a much more efficient operating model.

Based on the above factors the Group expects to continue its earnings growth in FY24.

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.