MOSAIC BRANDS LTD

GROUND FLOOR
61 DUNNING AVENUE
ROSEBERY NSW 2018

T: 1300 728 980
ABN: 96 003 321 579

Company Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

16 November 2023

Dear Sirs

2023 Annual General Meeting – Chairman and Managing Director Addresses

Please find attached the addresses to be presented at today's Annual General Meeting by our Chairman, Mr. Richard Facioni, and our Managing Director, Mr. Scott Evans.

The announcement has been authorised for release to the ASX by the Board of Mosaic Brands Ltd.

Yours faithfully

L. Softa

Luke Softa
Company Secretary

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CHAIRMAN'S ADDRESS

Once again, I'd like to welcome shareholders to our AGM today.
The last few years have been tumultuous, to say the least, for retailers globally.

The only certainty has been uncertainty as we've navigated a retail sector that global consultancy McKinsey recently described as going through as much disruption in the last five years as in the previous 25.

Your Board took a number of bold and decisive actions in that period, in an effort to reset and reposition our entire operations to deal with the conditions we faced at the time, and best position ourselves for the future.

Those decisions included not just maintaining our focus on cost control, a discipline that is at the core of all our decisions, but also investing in our future growth, to allow us to return to sustainable profitability. Notwithstanding the challenges we have faced in recent years, we have stood by, and continued to invest heavily in our BIG strategy, announced a few years ago and which Scott will shortly update you on.

That investment has included re-platforming our entire online operations, as they continue to grow at an exciting rate, and continuing to expand into big-box retailing through rolling out Rivers Megastores across regional Australia,

At last year's Annual General Meeting, I stated that, as a result of the actions the Board and management team have taken, the business was fully reset, operationally strong and set for a return to profit in FY23.

I'm pleased that we delivered on that commitment, as evidenced by a $17.1m EBITDA profit for FY23, a $33.5m turnaround to the prior financial year loss of $16.4m and we have seen continued in-store growth for the past 3 months.

I also said a year ago that the Group was in the best shape, operationally, it has ever been. Well, if anything, that is even more so the case today.

This gives us confidence that a strategy – devised and implemented in the most challenging of times for your company -will continue to deliver growth both in the near term and foreseeable future.
It also means we can now focus on continuing to strengthen our balance sheet, with work already underway on refinancing options, 10 months out before our existing banking facilities expire. Refinancing and strengthening our balance sheet will only further enhance our ability to invest in our core growth strategies.

We now face a situation where there is a clear disconnect, in your Board's view, between the Group's profitability and its share price, which I know frustrates all shareholders.
We expect that disconnect to disappear over time, recognising that the driver of that will be consistent results.

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So, the Group will, as it has always done, continue to take an approach of delivering rather than over promising.

Our roll out of mega stores is occurring at or above the rate we said it would.

Our customer base has shifted online and is expanding demographically, as we said it would.

And we returned to profit and growth in the timeline we undertook.

As we navigate the rest of the FY24 financial year we face two factors outside our direct control. Currency exchange rate movements and volatility, impacting our costs. And fragile consumer confidence leading into Christmas, compounded by persistently high inflation.

We continue to actively manage our exposure to the first and believe we can only benefit from any flight to value.

Based on our current performance and subject to any further material adverse currency movements or weakening of consumer sentiment from current levels, the Board believes that we should continue to see growth in FY24 EBITDA against the FY23 full year results.

However these factors, which are impacting the retail sector generally, make providing formal guidance challenging

Growth and lifting profit is our focus as a Board, management team and organisation for FY24.

Another important and broader consideration for the Board, though, is our Environmental, Social and Governance (ESG) approach, which we set out in the Annual Report.

Last year, I was proud to advise that the Baptist World Aid Ethical Fashion Guide identified Mosaic Brands as one of the biggest improvers in Australia in terms of its ESG approach. We continue to focus on and improve in this regard. By way of further example, Mosaic Brands became a signatory of the International Accord for Garment Workers Health and Safety in September 2022.

All factories in Bangladesh supplying Mosaic are members of the Accord. Together, we are committed to improving worker safety through independent inspections, remediation, training programs and the recognition of workers' rights. Initiatives such as the International Accord, or our policies to prevent Modern Slavery, are constantly evolving and improving over what we have previously had in place.

Our approach is to engage with credible NGOs who seek to work in partnership with business to make positive changes.

Finally, I wish to offer my sincere thanks to my fellow Directors, the Management, and wider Mosaic team.

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The commitment to make, drive and implement continual change has been significant.

Implementing the BIG Strategy has and continues to require and enormous amount of focus and teamwork.

The payoff is we have a very different business, a growing business and one that is operationally ready for whatever is ahead.

I will now hand over to our CEO Scott Evans.

CEO/MANAGING DIRECTOR'S ADDRESS

Good morning and thank you Richard,
When I addressed shareholders at our Annual Meeting last year, I concluded by saying the task in front of management for the FY 23 financial year was very clear.

That being to return to our consistent track-record of profitability that we had delivered annually since ownership prior to the Covid pandemic event, as well as to continue to focus on the execution of our BIG Strategy.

The 2023 financial year saw Mosaic Brands bounce-back as promised, with the Group delivering an EBTDA of $17.1m for the year against a loss of $16.4m in the prior period, whilst also managing a negative impact of $4.5m in the second half due to the USD rate.

This $33.5m ($38m if including the USD impact) swing highlights the changes the Group has implemented over the past three years in order to return to immediate profitability in a post pandemic world.

Our Mosaic journey has been for almost 9 years and we have delivered $114m in EBITDA, after absorbing -$61m of losses during the Covid periods. Since staring with our first acquisition in 2014 and acquiring 9 distressed and loss making brands over the following 4 years, turning them all around to deliver the multiple years of consistent earnings growth, it is important to highlight that although the impact of the pandemic over the past 3 years has been hugely significant it is now behind us and we consider it a reset moment.

We see today as we did in 2014, that being we have again turned around loss making brands to deliver a profit and we see the next 5 years as a growth phase for the Group, as we did in the 2014 to 2019 period. Although the world and retail environment has changed so much, so has your Group.

Addressing you today Mosaic Brands is again profitable.

The Group's comparative stores sales have grown 13 out of the last 16 months.
By the end of FY24 we expect 40 large format stores will have been opened.

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We are taking market share in a high inflation environment where there is a flight to value.
We are successfully shifting to broaden both the age and gender profile of our customer base through our regionally focused big box Rivers stores.

Our online sales in October and leading into the critical Black Friday sales period are lifting after heavy first quarter investment in a new AI-driven ecommerce platform.
And after the sledgehammer of Covid impacting our unique customer segment, they are now one of the most inflationary protected customers and we are seeing that deliver the results today.
Challenges remain and of course consumer confidence is a constant and fickle companion of any retailer.

However, 12 months ago we undertook to successfully execute a return to profitability.
That has been achieved and today I will outline both how and why we believe it positions Mosaic Brands for further growth.

FY23 Overview

As previously stated the 2023 financial year saw Mosaic Brands bounce-back as promised, with the Group delivering an EBTDA of $17.1m for the year against a loss of $16.4m in the prior period.
The Group delivered 6% absolute sales growth on FY22 with 148 fewer stores, with store-only comparable sales finishing up on the year at 9.6% compared to the previous corresponding period.
Online contributed 22% of the Group's $524 million in sales.

Mosaic Brands boosted its online offering to 32 categories and over 9 million SKUs compared to 150 thousand pre-Covid, with a growing database of more than 7.8 million members.
As a result of our new state of the art distribution centre operating for its first full financial year the Group fulfilled 1.6 million orders and shipped over 4.4 million items.

Our CODB has been revolutionised as the Group changed its operating model. Today our stores are more cost efficient than prior to Covid and last year we removed an additional $20m from our CODB.

As earlier mentioned, we have seen a trend of store sales growth for 13 of the last 16 months. As I expressed in the update in the release on August 30, whilst July in store comps were significantly impacted, we saw a return to positive comparative growth in August and this has accelerated through to end October, resulting in +4.6% comparative growth to last year for the August to October period and -1% YTD. This is even more compelling given this same period grew +21.8% in FY23.
These sales lifts further compliment the strong reduction in CODB that was executed last year as well as the major reduction in the Group's purchasing costs as a result of the dedicated sourcing strategies employed.

The continued improvement in sales, combined with the CODB reduction and improved purchase price, will allow the Group to offset some of the significant impacts of the USD in H1, and swallow almost all of its impacts in H2, thus delivering an improved FY24 EBITDA for the full year.
So as Richard highlighted in his address the Board believe FY24 we will further accelerate our EBITDA against FY23 for the full year.

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BIG Digital

The Group is well set for Black Friday & the transition to our new platform is now successfully completed.

Although this transition has caused some interruption to sales during the first quarter, as stated in the ASX update end August, this has now bounced back with the sites comping positively in October.
Our online acceleration over the last three years has been strong and well and truly shattered the myth that older consumers will not shop online.

The new online platform is built to deliver a much-improved customer experience, international expansion and as mentioned it is also AI-driven to better service our 7.8 million member base.
In both stores and online we are appropriately stocked for Black Friday and Christmas with a real focus on value as the cost of living becomes a key focus for consumers.

A high inflation environment means there has been a very real and visible flight to value.

BIG Strategy

Looking longer-term our Big strategy is about both shifting to meet the changing needs of our customer base and also to broaden that base with a wider age profile.

These BIG stores have three primary benefits.

1) They allow us to offer a far more diverse product range that appeals to both women and men in a board age demographic.
2) They are far more cost effective and profitable than smaller mall-based stores.
3) They are largely located in regional areas catering for a loyal community.

We expect to have opened 13 of the Rivers stores in H1 and by the end of the financial year have approx. 40 in total.

It is worth highlighting that our BIG Strategy is not about moving away from our core customer base. Far from it.

The over 50 consumer remains one of the most misunderstood and maligned.
Yet they now account for half of overall consumer spending in the United States and in Australia are among the most financially strong households as I stated above.

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Outlook.

In conclusion we do not minimise the challenges of recent years but nor do we see them as in anyway defining our future.

- We have reformed the business, our strategy and cost improvement has delivered our return to $17.1 million profit in the last financial year and our continued improvement in sales and cost control should further improve that this year.
- Our BIG strategy is well progressed and seeing us broaden our customer base and reduce our rental costs.
- Our balance sheet has improved by $18.7m during FY23 and we continue to focus on its repair from the losses incurred during Covid.
- And our incredible team have kept focused on our customers and kept them connected to our brands.

The result of all that and the actions Richard and I have detailed today, is that the Group has returned to profit as promised, it has implemented a growth strategy as we undertook to do, and it has not only maintained cost discipline but improved it.

We step into the second half of FY24 then on a trajectory of in-store sales growth, with the successful implementation of new online platforms creating a true omnichannel retail experience and with the continued roll out of mega stores across Australia.
Our story has moved on from managing disruption to resuming a trajectory of growth across Mosaic Brands.

I will now hand back to Richard.