

FY22 - Full Year Results Mosaic Brands Limited (ASX: MOZ)

Customer rebound in fourth quarter accelerates into FY23

- After absorbing 8 months of COVID impacts in FY22, the Group delivered an EBITDA* loss of -\$16m with almost 50,000 lost trading days in H1 and impact of Omicron in H2.
- Comparative sales for FY22 -1.7% vs previous corresponding period (pcp) Q2 and Q4 accelerating post lockdown and Omicron impacts.
- Cost Of Doing Business reduction of \$87m delivered in FY22, excluding JobKeeper benefits.
- Record Group online sales of \$223m, representing 36% of total revenue.
- Record 3rd party product sales delivered \$28.4m up 58% to pcp.
- First 8 weeks of FY23 total Mosaic sales +49%, with comparative in-store only sales continuing to grow delivering +18% and digital +3% on pcp (excl. EziBuy).
- Continued return of in-store customers sees strongest July EBITDA** in 5 years, positioning the Group positively for FY23.

Mosaic Brands (**Mosaic** or the **Group**) today announces its full year results to 3 July 2022.

FY22 was the most difficult period of the pandemic to date for the Group, with 8 months of the year being severely impacted. Initially due to Government mandated lockdowns in the first half, causing 50,000 lost trading days and further impacted with the arrival of the Omicron variant for the first four months of the second half. As outlined in the update on 29 July 2022, these two events resulted in the Group losing \$16m EBITDA* for the period.

"The positive sales trends we called out late in the fourth quarter have further accelerated into the new financial year," said Mosaic Brands CEO Scott Evans.

"COVID has not disappeared in the community but the fear around it has clearly diminished with the continued return of in-store customers seen in June, accelerating further into FY23. It is also very positive that while we are seeing this return to in-store shopping, we are still achieving online growth for the majority of our brands."

For the first 8 weeks of FY23 total Group sales increased by +49%, with comparative in-store only sales achieving +18% pcp and digital sales +3% on pcp (excl. EziBuy).

"While we expect there may be broader economic headwinds ahead, they pale in comparison to the tsunami of challenges COVID has delivered over the last three financial years given our unique market segment," said Mr Evans. "As is happening in US retail, value is becoming the key consideration for consumers in an inflationary environment, and we are positioned strongly in that space."

The Group today is also a very different business to what it was pre-COVID. A combination of a reset operating model, a record \$223m in online sales, along with the return of our core in-store customers, provides us with the most optimistic outlook we've had in recent years," said Mr Evans.

Outlook

The Group enters FY23 with a clean stock position, a state-of the art distribution centre to manage growing online sales and a reset of its operational costs by \$87m (normalised for JobKeeper).

Furthermore, based on trading for the last two months of FY22 along with the performance of the first 8 weeks of FY23, Mosaic Brands is well-positioned for the year ahead.

These factors give confidence to the Board that, barring any major new COVID-related disruptions, the trading conditions ahead are the most favourable in recent years and Mosaic Brands expects to return to profitability in FY23. Given the ever-present challenges that the pandemic has delivered over the past 3 years it is not prudent to provide or update any short-term guidance at this time.

Convertible Notes

Mosaic has determined that the quarterly interest payments for 30 September 2022 and for the remainder of FY23 will be capitalised and not paid in cash. This will ensure the Group is appropriately capitalised and is supported by the Group's senior lender.

The effect of this on the Convertible Notes as at the 30 September interest calculation date will be as follows

Number of Convertible Notes on issue	Face Value	Face Value + Prior 8% capitalised Cash Interest	Interest Calculation Date	Days Capitalised	Interest Calculation Sept 2022 Quarter	Face Value + 8% capitalised Interest Sept 2022 (Notional Note Principal Amount)
32,017,808	\$1.00	\$1.0376	30/09/22	92	\$0.0209	\$1.0585

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.

** EBITDA* adjusted in July 2020 to normalise for JobKeeper assistance received.