MOSAIC
BRANDS LTD

GROUND FLOOR
61 DUNNING AVENUE
ROSEBERY NSW 2018

T: 1300 728 980
ABN: 96 003 321 579

ASX/media release 25 February 2020

Mosaic Brands 1H 2020 EBITDA up 36% to $32 million

- Gross margin increased to **60%**, up from 57%*
- Online sales mix **10.1%** of total Revenue, up from 9%*
- Operating cash flow **$12.5** million*
- Net cash **$4.5** million*

Half year results ex EziBuy:-	29 Dec 2019 ($ million)	30 Dec 2018 ($ million)	% Change
Revenue	413.8	464.4	(10.9)
Gross margin	247.0	263.0	(6.0)
EBITDA	32.0	23.5	36.0
Underlying EBITDA	32.7	29.1	12.4
Underlying profit before tax	22.0	13.8	59.9
Net profit after tax	14.1	9.5	47.5

Mosaic Brands Limited (ASX:MOZ), Australia's leading women's specialty fashion retail group, today announced a 36% increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to $32.0 million* for the half-year to 29 December 2019 (1H 2019: $23.5 million). Underlying EBITDA before transaction & restructuring costs was $32.7 million*, up 12.4% over 1H 2019 ($29.1 million). Statutory net profit after tax was $14.3 million*, up 47.5% from $9.5 million in 1H 2019.

The balance sheet remains in sound shape, with positive operating cash flow of $12.5 million* for the half year (1H 2019: $6 million), a return to positive net assets, and net cash of $4.5 million* at 29 December 2019.

Scott Evans, Mosaic Brands' managing director and CEO, said: 'We are pleased with the progress we have made during the half year. The five brands acquired from Specialty Fashion Group in July 2018 achieved comparable store growth for the first time in a number of years to end October. The group's gross margin for the half increased to 60% from 57%. The increase in EBITDA demonstrates the success of our strategies, and particularly our focus on prioritising gross margin over sales.

'It is unfortunate that, as announced in our trading update on 14 January 2020, these achievements have been overshadowed in the short term by the tragic bushfires which directly

*Excludes EziBuy contribution to the Group

EBITDA is a non-AAS 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

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affected 20% or 276 of the group's stores. This impacted overall group performance from November onwards. However, our loyal and skilled team combined with our strategies provide a solid base for further growth to capitalise on our many opportunities.'

Richard Facioni, chairman of Mosaic Brands Limited, said: 'Mosaic Brands' substantial improvements in margin and EBITDA, notwithstanding the external factors that have affected and continue to affect the Group, were a great achievement, demonstrating the group's resilience and potential when the environment stabilises. The group will continue to benefit from its strategy of prioritising gross margin, through cost price improvements and a disciplined approach to discounting.

'The company is well positioned strategically, with a sound balance sheet, first class management team and loyal customers. I am confident our multi-channel strategy will lead to further growth, capturing an increasing proportion of our customers' share of wallet.'

Operational review

The company reported at its annual general meeting in November a $9 million increase in EBITDA and a 4% decline in comparable sales for the four months to the end of October 2019 consistent with management's expectation.

Subsequently, however, as announced in the trading update on 14 January 2020, sales were materially impacted by the bushfires throughout November and December compared with H1 2019. As a result, comparable store sales for the half year finished 8% lower than the prior year.

The group's Classic brands (Millers, Noni B and W.Lane), catering for the more conservative woman, were most affected, whereas Rivers, with its diverse male and female audience, fared better and delivered comparable store margin growth for the half.

Online sales for the group continued to increase and contributed 10.1% of total sales in the half (1H 2019: 9%), a result of the group's continued focus on this key area of growth.

Operational expenses remained well-managed, with savings of $24.4 million* compared with the first half of 2019.

EziBuy: an opportunity to increase online sales to 20% of group revenue

The recently announced Ezibuy transaction is designed to fast-track Mosaic Brands' digital strategy, increasing its online sales to approximately $200 million, representing 20% of group revenue. EziBuy has a database of over two million customers, with revenue split evenly between

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New Zealand and Australia, predominantly online. Expected annualised costs savings have increased to $11 million in 2020, against the original $9 million target.

Share of Wallet Strategy

Mosaic's nine brands have highly engaged relationships with their customers, the group's database has over 4.4 million names*, representing 75% of its target demographic. This creates tremendous opportunities to offer its customers a wider range of product categories aligned with the brands' quality and value proposition.

Outlook and dividend

Although the impact of the bushfires on consumer confidence and sales, especially in regional areas, continued throughout January, demand has improved over recent weeks.

However, the group now faces a further challenge, with potential disruption to its China supply chain, caused by manufacturing and shipping delays due to the COVID-19 outbreak. This has had a minor impact on February deliveries and the group is now working with its suppliers to ensure minimal delays for winter product. Should delays prove to be material, sales during the early winter season, including the key Mother's Day period, could be affected.

In view of this uncertainty, the board has decided to take a prudent approach and postpone its decision on declaration of an interim dividend until the impact of the COVID-19 has been clarified. Assuming a timely resolution with minimal impact, the board would expect to declare an interim dividend payment consistent with last year.

As disclosed in the company's trading update of 14 January 2020, the first half result combined with continued uncertainty mean that the group is likely to face a material shortfall to previously advised market consensus EBITDA of $75 million. The board believes it would be unhelpful at this stage to provide guidance on the full year result until there is greater clarity.

Overall, the board remains confident the strategic actions taken by management will continue to deliver sustainable earnings growth.

Further announcements will be made on the expected full year result and potential payment of an interim dividend when the extent of any supply chain disruption is clear.

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Investor/analyst briefing: Scott Evans will hold a teleconference for investors and analysts at 11am Sydney time today. Dial-in number: 1800 093 431 (International: +61 2 8047 9393) pin: 46229309#.

For media and shareholder queries, please contact:

Anthony Tregoning
Financial & Corporate Relations
+61 2 8264 1001/+61 411 852 448

About Mosaic Brands

Mosaic Brands, formerly Noni B Group, is Australia's leading women's specialty fashion retail group, with nine brands: Millers, W.Lane, Noni B, Rivers, Katies, Autograph, Rockmans, Crossroads and beme. It operates a network of 1,386 stores, with circa 6,800 employees, across Australia and also has a growing digital business serving customers in Australia and New Zealand.

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