MOSAIC BRANDS LTD

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61 DUNNING AVENUE
ROSEBERY NSW 2018

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ASX/media release 25th August 2020

Mosaic Brands results for the full year ended 28 June 2020

- **FY20 underlying EBITDA[1] loss of $45.8m after $49.0m provision for rents – result driven by bushfires and store closures for 9 ½ weeks due to COVID-19, both occurring during key peak trading periods**
- **Strong and accelerating Online digital department store sales of $93.7m for the year. H2 growth of 35.9% with this trend continuing into the new year, with July +40%[2]**
- **Store reduction programme of circa 300-500 stores anticipated over the coming 12-24 months, dependent on final lease negotiations**
- **Inventory reduction of 50% secures solid closing cash position of $77.6m (net cash $3.6m) and seasonally appropriate clean stock position entering FY21[2]**
- **Group's core strategy of driving margin growth delivers positive comparable store margin growth of +4.1% in July FY21 against the prior year[2]**
- **Well positioned to return to sustainable profitability in FY21**

Mosaic Brands Limited (ASX: MOZ) today announced an underlying loss before interest, tax, depreciation and amortisation (EBITDA[1]) of $45.8m for the full year to 28 June 2020, the result being materially impacted by the recent bushfires and the COVID-19 pandemic. This result includes a provision for occupancy costs of $49.0m, however materially lower payments are expected based on ongoing negotiations.

The result is before $113.5m of non-cash impairments related to brand names, goodwill and right of use assets.

"Today's result does not reflect the consistent growth the Group has achieved over the past four years, nor does it reflect our circa 6,000 strong team's hard work and commitment during FY20," said Mosaic Brands' Managing Director and CEO, Scott Evans.

"The first third of the financial year saw the business perform solidly. The acquisition of the ex-SFG brands delivered comparable store sales and margin growth, and we were forecasting EBITDA of $75m for FY20.

"That forecast was utterly derailed, first by the devastating bushfires which directly impacted 20% of our store portfolio over the Christmas period, then by COVID-19 which saw us close all 1,333 stores for 9 ½ weeks including the peak Mothers' Day trading period.

[1] 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. Lease related costs, which are classed as amortisation under IFRS16 has been defined as an operating cost for this calculation.
[2] The figures in this statement exclude EziBuy to allow for year on year comparisons.

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"There is no roadmap to navigate these circumstances, but our operational priorities have been ensuring team and customer safety, reducing inventory and maintaining a strong cash position. This has allowed us to reshape Mosaic to take advantage of the fundamental changes happening in retail," he continued.

Rental realignment for a new retail environment

Over the past 3 years the Group has been progressively reducing its exposure to long lease terms, resulting in circa 41% of current leases either on holdover or expiring by December 2020, and approx. 87% of the Group's 1,333 stores expiring over the next two years. This delivers a significant level of agility in its store portfolio.

"The retail rental market in Australia is not paused because of the pandemic - it is fundamentally changed for the future. Some though not all landlords accept that reality, so while exact locations and numbers are to be determined, the Group anticipates potentially 300-500 store closures over the coming 12-24 months. Shuttered stores work for no one so we aim to minimise closures, but not on uncommercial terms," said Mr Evans.

Online growth, impairments and inventory reduction

The Board's decision not to pay a first half dividend after posting a H1 underlying EBITDA of $32.7m (up 12.4%), along with the actions taken during the COVID-19 pandemic lockdown to reduce inventory by 50%, ensured that the Group ended the year with a strong cash position of $77.6m (net cash $3.6m)[3]

Continued investment in the Group's online digital department store strategy, category and SKU width expansion, saw total digital sales grow to $93.7m, representing 14.7% growth year-on-year.[3]

Sales for H2 accelerated by over 35.9% against the prior year and have continued into FY21, with July delivering 40% growth across the nine digital department stores.[3] The Group closed June with over 150,000 SKUs' available online, spanning 14 categories.

Since Mosaic's acquisition of a 50.1% interest on October 28th, EziBuy has made solid progress with its turnaround plans including reducing its cost of doing business and improving its inventory holdings. Mosaic will continue to review its option over the remaining 49.9% over the coming months in light of EziBuy's strategic benefits to the Group.

[3] The figures in this statement exclude EziBuy to allow for year on year comparisons.

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COVID-19 impact and response

Mosaic Brands Chairman Richard Facioni said management and the Board had taken the decision to be among the first major national retailers to temporarily close stores during Stage 3 lockdowns.

“Many of our customers and team members are in the most vulnerable segment that COVID-19 attacks. Keeping hundreds of stores open longer in a key trading period would have been fiscally sound but completely against our commitment to putting our team and customers first.

“We strongly believe that in the longer term this demographic will play a key role in retail as the majority are not of the JobKeeper generation and are more likely to return to spending as and when the virus recedes.

“The Board and I also recognise the ongoing commitment of our 6,000 Mosaic team members throughout what has been an unprecedented 12 month period and acknowledge the impact potential store closures will have on them in tough economic times.”

Outlook

Mr Facioni highlighted that although traffic and sales in July 2020 remained substantially below the prior year, the Group’s recent actions and its continued focus on margin have encouragingly delivered comparable store margin growth for the month. In addition, cost of doing business initiatives are expected to realise a further $18m in savings throughout the year (net of JobKeeper benefits).

The recent store closures in Victoria and New Zealand, along with the subsequent subdued sentiment across other Australian states in August, have been challenging. Notwithstanding the constantly changing environment, the Group is well positioned to return to sustainable profitability in FY21, subject to no further material disruptions to operations due to COVID-19.

The Board has determined there will be no dividend for the financial year.

END

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Investor call

Mosaic Brands' Group Managing Director and CEO, Scott Evans and Chief Financial Officer, Luka Softa will host an investor call to discuss the company's FY 2020 results on Tuesday, August 25, 2020 at 11am (Sydney time). The number will be 1800 093 431 (International: +61 2 8047 9393) and the pin code 11055474#.

Closing date for the nomination of directors

In accordance with ASX Listing Rule 3.13.1, the Company advises that its next Annual General Meeting will held on Thursday, 29th October 2020. An election of directors will be held at this AGM pursuant to ASX Listing Rule 14.5. The closing date for the receipt of director nominations is 9th September 2020. Any nominations must be received in writing no later than 5.00pm (Sydney time) on 9th September 2020 at the Company's registered office.

About Mosaic Brands

Mosaic Brands, formerly Noni B Group, is Australia's leading specialty fashion retail group, with nine brands: Millers, W.Lane, Noni B, Rivers, Katies, Autograph, Rockmans, Crossroads and beme. It operates a network of 1,333 stores, with 6,000 employees, across Australia and also has a growing digital business serving customers in Australia and New Zealand.

For media and shareholder queries, please contact:

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