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ROSEBERY NSW 2018

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ASX Announcement

29 February 2024

Group NPAT up 38%. Mosaic Brands appoints new CEO.

- Net Profit After Tax (NPAT) of \$5.4m for H1 up 38% vs \$3.9m for the previous corresponding period (pcp)
- EBIT of \$13.1m (\$17.4m normalised for USD impact) vs \$13.7m for the pcp
- Balance sheet net current asset* improvement of \$13.5m in the last 6 months
- Record low cost-price of goods secured flowing through into second half of FY24 and into FY25
- Refinance of debt facility nears formal completion six months ahead of schedule
- Proposal of 18-month extension on Convertible Notes with the noteholders representing the majority of notes on issue
- Erica Berchtold appointed CEO of Mosaic Brands as Scott Evans retires from the Group

Mosaic Brands (“Mosaic” or the “Group”) today announces its results for the first half of FY24 and provides an update of significant operational changes across the Group.

The Group reported a first-half NPAT* of \$5.4 million, a 38% improvement over the pcp.

This was after absorbing a negative impact of \$4.3m due to an adverse currency movement against the USD, with an EBIT* of circa \$13.1m (\$17.4m normalised for USD impact) against \$13.7m pcp.

As part of its balance sheet repair strategy the Group reduced inventory intake for the half by 33% (\$41 million less than the pcp) with comparable in-store sales only down by 6.6%.

“This result marks a key turning point for Mosaic Brands,” said CEO Scott Evans.

“A pre-Covid track record of profitability has resumed as seen over the recent few years. The Group has delivered a \$13.5m improvement over the last 6 months in its net current assets* position and projects further balance sheet improvements for the second half of FY24 and into FY25.

“The Group has also made significant progress in securing a refinancing package with Hilco Capital that we expect to sign in the coming weeks which provides greater operational flexibility for Mosaic. Finally, we have also received in-principle agreement to extend or refinance the convertible notes* with the noteholders representing the majority of notes on issue,” said Mr Evans.

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Appointment of new CEO

Erica Berchtold, a former CEO of The Iconic and Managing Director of Rebel Sport, has been appointed CEO of Mosaic Brands, succeeding Scott Evans who is retiring.

“Having put the Group back on its feet operationally, strategically, and financially, and having successfully navigated the Group through Covid, Scott informed the Board some months ago of his intention to retire,” said Mosaic Brands Chairman Richard Facioni.

“This facilitates a seamless leadership transition to Erica, with Scott stepping down post the release of these results before working through a three-month handover period,” Mr Facioni added.

“Over the past 10 years, Scott has overseen the amalgamation of nine underperforming and loss making brands and has successfully integrated them and turned them around. The Group experienced 5 consecutive years of growth and profitability under his stewardship, until this was derailed by Covid. He has now set the business up for success in the coming years, under new leadership, by building an online operation from the ground-up, resetting our store strategy and broadening our customer base.

“The Board thanks him for his vision and his relentless commitment and drive, through good times and some very tough times.” said Mr Facioni.

Mr Facioni said Ms Berchtold brings over 20 years of retail experience in customer-facing and digital retail, including as CEO of The Iconic and Managing Director of Rebel Sport.

“As we accelerate our big box and digital strategy, Erica not only has the right skillset to drive the future direction of the Group but also a strong understanding of our customers as a former General Manager of two of our brands. I look forward to working with Erica as she takes the Group forward,” said Mr Facioni.

Outgoing CEO Scott Evans said: “The Mosaic Brands I walked into over 10 years ago is radically different today in terms of its stores, digital offering and ever broadening customer base. The first turnaround was about growth and returning to profitability. The second Covid-related turnaround - survival then revival.

“Running retail in Australia is a great challenge and I am proud to say the Group is once again profitable and on a solid operational and financial foundation. I look forward to seeing Mosaic go from strength to strength under Erica’s leadership.

“As this is the last financial result I will present for the Group, I also wanted to acknowledge and thank all of the Mosaic Brands team, past and present, for their hard work and commitment. There have

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been few easy decisions in the last few years, but the commitment of our team, from storefront to storeroom, has been incredible and I've been proud to lead them."

Incoming CEO Erica Berchtold said: "Mosaic is operating in an increasingly dynamic and growing market. Two thirds of all spending on clothing is now by Australian consumers aged 35 and older. Your average 50-year-old spends more on clothes each year than a 20-year-old.

"The huge shift to online in recent years also provides an enormous amount of data and information about those consumers' shifting expectations and choices which will drive our strategy and direction.

"That's why this is a really exciting opportunity and time to be leading a true omni-channel retailer.

"Low price is also not the antithesis of style. I will be looking to amplify the pride in our brands and the people behind them, in providing affordable fashion for all."

Second half outlook

The Group enters the second half with the expectation of continued balance sheet improvement and new financing arrangements in place.

Sales for the first eight weeks of the half are broadly in line with expectations, with low-cost inventory to flow into stores from March onwards. Inventory between March to June is increased approx. 24% on the pcp, providing confidence to the group for a strong Q4.

The Board notes the CEO transition period, which will minimise any operational impact in this half as Ms Berchtold meets with and hears from key stakeholders.

Ends

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Notes:

* NPAT refers to Net Profit After Tax

* EBIT refers to Earnings before Interest and Tax.

* Net current assets improvement refers to current assets less current liabilities (adjusting for convertible notes).

* Any Convertible note extensions or re-financing remain subject to regulatory and/or shareholder reviews and/or approvals

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