

08 June 2022

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Mosaic Brands Ltd (MOZ)

Retail Trade

BUY

MOZ A\$0.20 **TARGET PRICE A\$0.60**

Mosaic Brands Limited (MOZ) is a women's fashion retailer. It engages in the retailing of women's apparel and accessories. The company's geographic segment includes Australia and New Zealand. It generates maximum revenue from the Australia segment. The company brands include Millers, Rockmans, Noni B, Rivers, Katies, Autograph, W. Lane, Crossroads and Beme.

Company Data

Number of shares	107.6M
Market Capitalisation (\$m)	21.5
Free float (%)	56.2
12-month high/low	\$0.81/\$0.20
Average Daily Turnover (\$m)	0.054207
% S&P/ASX200	0.002%
DDM Ranking	17
% All Ordinaries	0.002%
GICS Industry Group	Apparel/Footwear

Source: FactSet, Barclay Pearce Capital

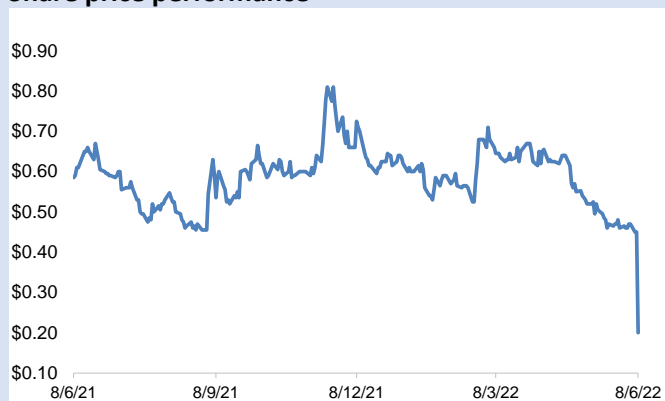
Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	676.8	583.0	501.7	515.3
EBITDA (\$M)	48.0	11.1	30.9	35.9
Reported NPAT (\$M)	3.2	7.8	8.9	12.4
Adjusted NPAT (\$M)	13.6	-11.7	8.9	12.4
Reported EPS (c)	N/A	N/A	N/A	N/A
Adjusted EPS (c - FD)	2.8	-11.9	9.1	12.5
Adjusted EPS growth (%)	N/A	N/A	N/A	24.6
Adjusted P/E (x)	16.0	N/A	2.1	1.5
Dividend (c/sh)	0.0	0.0	0.0	0.0
Gross yield (%)	0.0	0.0	0.0	0.0
Net yield (%)	0.0	0.0	0.0	0.0
ROIC (%)	N/A	N/A	N/A	N/A

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

Market Update

On 8th of June 2022, Mosaic Brands Limited (MOZ) announced a market update, with the following highlights:

Market Update highlights:

- During the May trading month, MOZ continued to see an overall improvement in trading conditions, however at a rate that was below expectations as core customers remained cautious of ongoing risk associated with Omicron;
- Online sales continued to grow strongly and, with the removal of most health orders across Australia, in-store trading and sales momentum has improved week on week throughout late May and into June;
- While inflationary and other wider economic pressures are expected to continue in FY23, the recent strengthening the Group is seeing in trade gives the Board confidence that the conditions ahead are more favourable and navigable than the previous two years of managing the impact of COVID and lockdowns;
- Management is focused on closing FY22 and entering FY23 in a strong and clean position to maximise the year ahead; and
- It is expected that a further market update will be provided in late July.

Earnings Guidance:

- Given the sustained disruption to trade during the period, MOZ expects to report a loss for the second half of FY22, which will result in a full year of loss for FY22;
- This is despite the Group delivering a profit for the first half of FY22, notwithstanding four months of lockdowns;
- MOZ expects to return to profitability in FY23.

Earnings changes

Due to sustained disruptions to trade, MOZ expects to report a loss for the second half of FY22, which will result in a full year loss for FY22. MOZ does expect to return to profitability in FY23, however, we expect negative earnings revisions of 35% for FY23 and for future periods.

Valuation

We are updating our target price from \$0.71 to \$0.60 and revising our recommendation from UNDERPERFORM to BUY. The price target is underpinned by our valuation.

Disclaimer

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Barclay Pearce Capital Recommendation Proportions

Buy	37.9%	0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	22.8%	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	39.4%	0.0% of stocks with recommendations are Barclay Pearce clients)