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6 September 2021

## ASX ANNOUNCEMENT

# Mosaic Brands Limited \$32 million convertible note capital raise

## HIGHLIGHTS

- Mosaic Brands Limited (ASX:MOZ) is pleased to announce an underwritten \$32 million capital raising via the issue of convertible notes ('Notes') (the 'Offer'), consisting of:
  - a \$10 million strategic placement of Notes to Danfin Pty Ltd ('Placement'); and
  - a \$22 million 1 for 4.39 pro-rata non-renounceable entitlement offer ('Entitlement Offer') of Notes to eligible shareholders,(together the **Offers**). The Offers will be made under a prospectus that is expected to be lodged with ASIC on Tuesday, 7 September 2021
- The Notes will be secured by a second-ranking security behind the existing ANZ facility. ANZ has provided consent to the issue of the Notes
- Proceeds of the Offers are to be used for general working capital purposes to provide the business with additional balance sheet support until COVID-19 related lockdown measures are eased and stores re-open for trade
- Following completion of the Offers, Mosaic Brands expects to be well funded through the current period of disrupted trading, based on conservative assumptions around lockdown easing measures and timing of stores re-opening
- Mosaic Brands will have pro forma cash (as at 27 Jun 2021) of approximately \$88.1 million post completion of the Offers

The Offers are underwritten by Wilsons Corporate Finance Limited who is acting as the lead manager and underwriter to the Offers.

The Offers are conditional on certain documentation with ANZ in relation to the Notes, detailed below.



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### Purpose of the Offers

In FY21 Mosaic Brands delivered a considerable and successful reset of its overall business and experienced a re-emergence of positive retail trade.

As is the case across the majority of the retail sector, recent widespread lockdowns during the first two months of FY22 have disrupted Group momentum. Almost all stores across our entire portfolio experiencing restrictions or full lockdowns in some form during this period. Given the prolonged lockdown and subsequent impact on cash flow, the Offer is being conducted to provide Mosaic Brands with additional balance sheet support until lockdown measures are eased and stores are re-opened for trade.

Mosaic Brands will have pro forma cash (as at 27 Jun 2021) of approximately \$88.1 million post completion of the Offers.

### Convertible notes

The capital raising is via the issue of up to \$32 million of Notes comprising a \$10 million strategic Placement and a \$22 million Entitlement Offer to existing eligible shareholders. The Notes are proposed to be listed on the ASX subject to satisfying the required ASX listing criteria.

The key terms of the Notes will be set out in the prospectus and include that:

- each Note has an initial face value of \$1.00;
- the Notes will attract interest at a rate of 8% pa (**'Cash Interest'**) to be calculated quarterly in arrears and paid in cash, if permitted by the ANZ's facility documents (or any refinancing documents) and an intercreditor deed with ANZ, with the balance of the interest to capitalise;
- in addition, interest at a rate of 6% pa (**'Capitalisation Interest'**) to be calculated quarterly in arrears and capitalised, however the Capitalisation Interest will only be paid in certain circumstances where Mosaic Brands defaults under the Notes;
- the Notes will be secured by a second-ranking security behind security granted in respect of the existing ANZ facility. ANZ has provided consent to the issue of the Notes;
- after approximately 12 months from their issue date, the Notes are convertible (in full or in part) into ordinary shares at the lower of \$0.515 and a 15% discount to the 30-day VWAP of shares (or the price of any equity raising of Mosaic Brands during that period), subject to a minimum conversion price of \$0.25; and
- the Notes will have a 3-year term to maturity, maturing on 30 September 2024.



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Melbourne Securities Corporation Ltd (ACN 160 326 545, AFSL 428289) has agreed to act as the proposed trustee of the issue of Notes and will hold the rights under the security on trust for the benefit of the Noteholders.

Please refer to the Investor Presentation lodged with the ASX for more information regarding the Note terms. The full terms of the Notes will be contained in the prospectus.

### Strategic Placement

Danfin Pty Ltd has committed to a strategic investment of \$10 million.

Under the Placement, Danfin Pty Ltd will subscribe for 10 million Notes at an issue price of \$1.00 per Note. The Placement will comprise two tranches as follows:

- **Tranche 1:** approximately 3.6 million Notes to be issued on the Issue Date under Mosaic Brand's existing ASX Listing Rule 7.1 placement capacity, to raise approximately \$3.6 million; and
- **Tranche 2:** subject to the availability of Mosaic Brand's placement capacity and Shareholder approval for the issue of the Notes (to the extent required), approximately 6.4 million Notes, to raise a further approximately \$6.4 million.

Mosaic Brand's expects to issue approximately 2.4 million Notes under Tranche 2 as soon as it has placement capacity to do so under ASX Listing Rule 7.1A. If required, it will include any resolutions required to approve the issue the remaining portion of Tranche 2 of the Placement Offer at its annual general meeting (proposed to be held in November 2021). Alceon Group Pty Ltd ('**Alceon Group**') has agreed to vote in favour of any resolution to issue Notes under Tranche 2 of the Placement Offer.

### Existing ANZ debt facilities and Other Conditions Precedent

The following items are conditions precedent to the underwriting and the Offers:

- the trustee receiving the necessary regulatory consents and approvals from ASIC;
- documentation of ANZ's consent to the issue of the Notes, the security and terms of an intercreditor deed with ANZ;
- documentation of a deferral of the scheduled \$10 million step down of the existing ANZ facility; and



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- documentation of a restructure of the current financial covenant package in respect of the existing ANZ facility to take into consideration the impact of COVID lockdowns in circumstances where lockdowns are extended beyond the current expected time frame or retail trading conditions worsen beyond what is currently anticipated.

### Entitlement Offer

The Entitlement Offer aims to raise approximately \$22 million via the issue of approximately 22 million Notes at an issue price of A\$1.00 per Note.

Under the Entitlement Offer, eligible shareholders in Mosaic Brands will have the opportunity to subscribe for one Note for every 4.39 Mosaic Brands Shares<sup>1</sup> held as at 10 September 2021 ('**Record Date**'). An eligible shareholder is a registered holder of shares on Mosaic Brand's share register as at 7:00pm (AEST) on the Record Date with a registered address in Australia or New Zealand. The Entitlement Offer will open on 15 September 2021 and close at 5:00pm (AEST) on 27 September 2021 (unless extended).

In addition to their entitlements, eligible shareholders may apply for additional Notes. Applications for additional Notes from eligible shareholders are capped at 50% of an eligible shareholder's entitlement, such that the maximum aggregate amount of Notes that an eligible shareholder can apply for under the prospectus is 150% of their entitlement.

Investment trusts managed and controlled by Alceon Group currently hold approximately 34.7 million shares in Mosaic Brands representing combined voting power of approximately 35.9%. Alceon Group has pre-committed to taking up the investment trusts' full entitlement under the Entitlement Offer. In addition, Alceon GT Pty Ltd as trustee for the Alceon Group Trust ('**AGT**'), the parent entity of Alceon Group, has agreed to sub-underwrite a portion of the shortfall of the Entitlement Offer. Alceon Group has informed Mosaic Brands that it intends to pass the investment trusts' entitlement through to the underlying investors within those trusts. The extent to which Alceon Group passes entitlements through to the underlying investors within the investment trusts will decrease Alceon Group's maximum potential voting power in Mosaic Brands.

Assuming 100% conversion of the Notes which may be issued to Alceon Group and AGT, at the minimum conversion price of \$0.25, the investment trusts managed and controlled by Alceon Group would have combined voting power of 63.0%<sup>2</sup> in Mosaic Brands.

<sup>1</sup> Fractional entitlements will be rounded down to the nearest Note (at the registered holder level).

<sup>2</sup> Assumes no interest is capitalised into the Notes except for the interest payable on the First Interest Payment Date, and no Capitalisation Interest accrues and all other Cash Interest is paid in cash, and that there is zero uptake from any other shareholder



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Issue of the Notes under the Entitlement Offer and Tranche 1 of the Placement is expected to take place on Friday, 1 October 2021. The Notes are expected to start trading on ASX on Monday, 4 October 2021. Refer to the timetable at the end of this announcement for further details.

#### Further information

Further information about the Offers will be contained in the prospectus, which will be sent to eligible shareholders along with acceptance forms on Wednesday, 15 September 2021.

#### Ezibuy option

Mosaic Brands intends to exercise its option for the remaining shares in Ezibuy during September 2021. Payment terms for the \$11m acquisition consideration are proposed to be extended from 31 December 2021, to provide additional balance sheet flexibility, and Mosaic Brands would have up to 30 June 2022 to settle the exercise price.

in the Entitlement Offer, and only the Notes issued to Alceon Group and AGT are converted and before the Notes are passed through directly to investors in the investment trusts.



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## Indicative Offer Timetable

Key step	Date
<b>Announcement of the Offers</b>	Monday, 6 September 2021
<b>Prospectus lodged</b>	Tuesday, 7 September 2021
<b>Ex-date</b>	Thursday, 9 September 2021
<b>Record date for determining Entitlements</b>	Friday, 10 September 2021
<b>Exposure period ends</b>	Tuesday, 14 September 2021
<b>Prospectus and acceptance forms despatched Offer opens</b>	Wednesday, 15 September 2021
<b>Offer closes</b>	Monday, 27 September 2021
<b>Notes quoted on a deferred settlement basis</b>	Tuesday, 28 September 2021
<b>Announcement of results of the Entitlement Offer Issue date</b>	Friday, 1 October 2021
<b>Deferred settlement trading ends</b>	
<b>Notes commence trading on ASX (normal settlement basis)</b>	Monday, 4 October 2021
<b>Estimated issue of Notes under Tranche 2 of the Placement Offer which are not subject to Shareholder approval</b>	Tuesday, 26 October 2021
<b>Estimated issue of Notes under Tranche 2 of the Placement Offer which are subject to Shareholder approval</b>	Monday, 15 November 2021

All dates and times are indicative only and subject to change. Unless otherwise specified, all dates and times refer to Australian Eastern Standard Time (AEST). Subject to the requirements of the Corporations Act, the ASX listing rules and any other applicable laws, the Directors, in consultation with Wilsons, reserves the right to amend this timetable at any time.

## Further information

Further details regarding the Offers are set out in the Investor Presentation also released to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Offers.

This release is authorised by the Board of Directors of Mosaic Brands.



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For further information, please contact:

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**Not an offer**

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This document is not and should not be considered an offer or an invitation to acquire the Notes or any other financial products and does not and will not form any part of any contract for the acquisition of the Notes. This document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be illegal. The securities referred to in this document have not been, and will not be, registered under the US Securities Act of 1933 (the **US Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless the securities have been registered under the US Securities Act (which Mosaic Brands has no obligation to do or procure) or are offered or sold pursuant to an exemption from, or in transactions not subject to, the registration requirements of the US Securities Act. This document may not be distributed or released in the United States.

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