



aha

TRADING UPDATE

AHALife Holdings Limited
(ASX.AHL)

8th June 2017

DISCLAIMER

This presentation has been prepared by AHAlife Holdings Limited. Each recipient of this presentation is deemed to have agreed to accept the qualifications, limitations and disclaimers set out below.

None of AHAlife Holdings Limited or its subsidiaries or their respective directors, officers, employees, advisers or representatives (Beneficiaries) make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information contained in this presentation, including any forecast or prospective information. The forward looking statements included in this presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, the Beneficiaries. Actual future events may vary materially from the forward looking statements and the assumptions on which those statements are based. Given these uncertainties, you are cautioned to not place undue reliance on such forward looking statements.

This presentation is a general overview only and does not purport to contain all the information that may be required to evaluate an investment in AHAlife Holdings Limited. The information in this presentation is provided personally to the recipient as a matter of interest only. It does not amount to an express or implied recommendation with respect to any investment in AHAlife Holdings Limited nor does it constitute financial product advice.

The recipient, intending investors and respective advisers, should:

- conduct their own independent review, investigations and analysis of AHAlife Holdings Limited (as the case may be) and of the information contained or referred to in this presentation; and/or
- seek professional advice as to whether an investment in AHAlife Holdings Limited is appropriate for them, having regard to their personal objectives, risk profile, financial situation and needs.

Nothing in this presentation is or is to be taken to be an offer, invitation or other proposal to subscribe for shares in AHAlife Holdings Limited.

Except insofar as liability under any law cannot be excluded, none of the Beneficiaries shall have any responsibility for the information contained in this presentation or in any other way for errors or omissions (including responsibility to any persons by reason of negligence).

I. Change of Leadership

II. Growth Strategy

- A. Customer Centricity
- B. Technology and Data Centricity
- C. Brand Building and Awareness

III. Major Cost-Out Program

I. CHANGE OF LEADERSHIP

Shauna Mei (CEO) and Sachin Devand (CTO/President) stepped down
Sebastian Kaufmann appointed CEO and Stuart Halls remains as CFO/COO

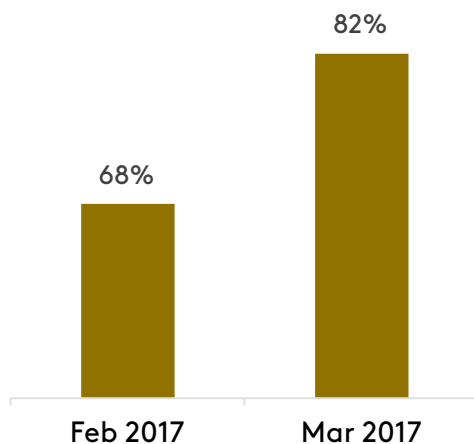
Sebastian previously CEO of Kaufmann Mercantile
(www.kaufmann-mercantile.com, now 2nd Master Brand under AHL)
Stuart has been running Finance, Operations and Customer Service since 2015

Supported by the Board

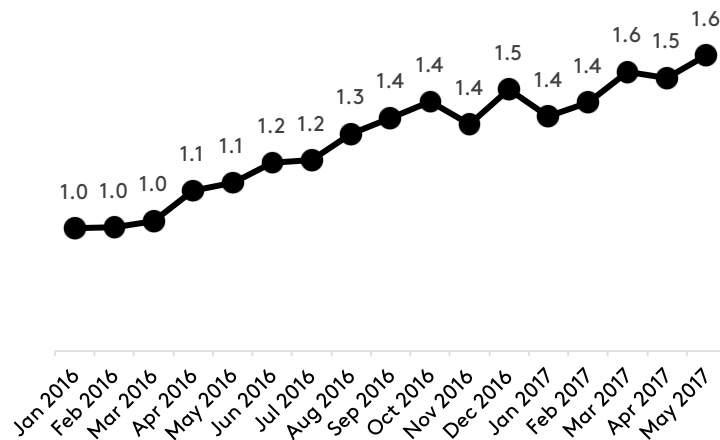
FOCUS ON EMPLOYEES

1. Stronger, more result oriented company culture
2. People and knowledge retained longer
3. Staff more engaged and efficient

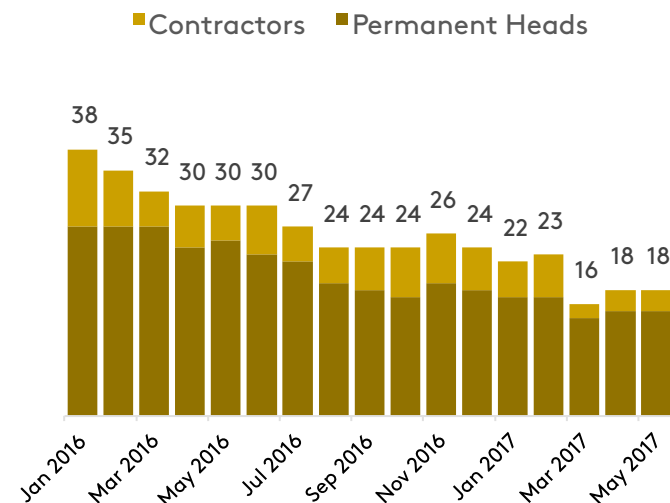
Employee Engagement ¹



Average Length of Service
In Years ²



Headcount



¹ Based on 14 questions compiled from the Gallup employee engagement survey. February and March surveys contain the same questions

² Excludes Shauna Mei & Sachin Devand

II. GROWTH STRATEGY

With its multi-brand approach (AHAlife and Kaufmann Mercantile), AHAlife Holdings aims to be the leading player in the premium market for independent designers and makers, offering hard to find and unique items.

- A. Customer Centricity:** With a company-wide customer-first mindset, we optimize our customer's experience at every touch-point and provide them with the right products for the right price.
- B. Technology & Data Centricity:** Scale the business through a focus on technology, data, personalization, automation and paid marketing channels.
- C. Brand Building & Awareness:** We create strong website domains with thought leadership status that people talk about and love.

To achieve the multiplying effects of a large amount of low-cost traffic, loyal customers, and a high website conversion rate, these strategic directions work hand-in-hand.

Customer-first mindset across entire company to improve Customer Lifetime Value (LTV), website conversion, and Net Promoter Score (NPS)

1. Marketing efforts refocused on core customer for greater ROI
2. Cohesive merchandising strategy to become go-to destination for core categories
3. Launch of loyalty program, Concierge Service and enhanced fulfillment to have customers return more frequently
4. Enhanced website design and user experience

AHALIFE

Goddess

~80% of current customers

Women

Median Age: 35-60

Median HH Income: ~\$150K



KAUFMANN MERCANTILE

Millennials & Gen X

~55% of current customers

Men & Women

Median Age: 24-44

Median HH Income: ~\$90K

Baby Boomers

42% of all customers

Men & Women

Median Age: 45-74

Median HH Income: ~\$150K

Our goal is to become *the* go-to destination for truly unique products from independent designers, in our focus categories

1. Create destinations where customers come with a purpose
2. Curate products that solve problems for our customers
3. Grow or eliminate categories to increase ROI and customer loyalty
4. Full merchandise analysis conducted to identify areas of opportunity
5. We see our vendors as partners and create long-term relationships.

A.3 INCREASED CUSTOMER RETENTION

Launched customer
loyalty program



Rewards made easy.

1. EARN
Spend \$1, earn 👑 1

2. REDEEM
👑 200 = \$10 store credit

3. SHOP
\$10 off your next purchase

Shop now and start earning points.

[SHOP NOW](#)

The graphic features a light beige background with a top border showing a pair of gold-rimmed sunglasses, a round compact of makeup, and a makeup brush. The text is centered and uses a mix of bold sans-serif and serif fonts. Icons of a crown and a shopping bag are used to represent earning and shopping respectively.

Customer service as
profit center

aha
CONCIERGE

Looking for something special?
Our concierge can help.

[REACH OUT](#)

“ I cannot believe the effort you put into a simple email from ONE of your customers. ”
— Ren K.

The advertisement has a solid pink background. At the top is the 'aha CONCIERGE' logo. Below it is the text 'Looking for something special? Our concierge can help.' in a white serif font. In the center is a high-quality image of a brass service bell. Below the bell is a dark pink rectangular button with the text 'REACH OUT' in white. At the bottom is a quote in white serif font: '“ I cannot believe the effort you put into a simple email from ONE of your customers. ”' followed by '— Ren K.'

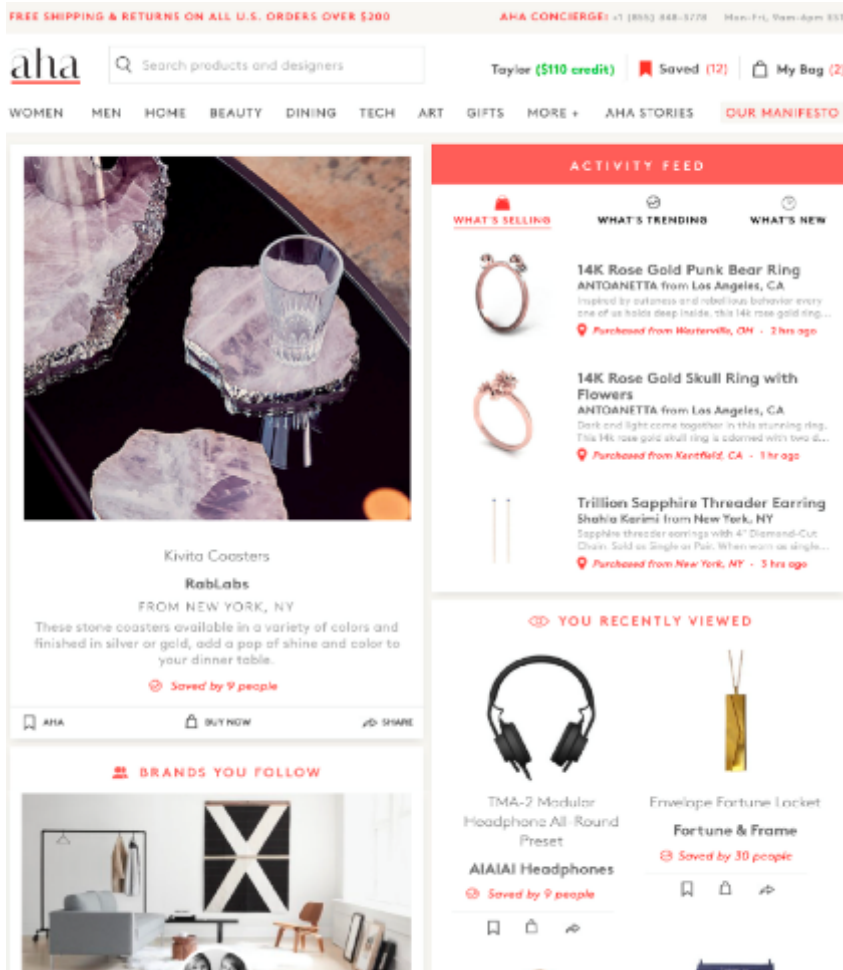
Provide customers with the best experience at all touchpoints to increase website conversion

1. New homepage, new category pages, new product pages in development
2. New checkout flow being deployed in June 2017
3. Enhanced search functionality within site
4. Added personalization and improved relevancy

A.3 REDESIGN EXAMPLE: HOMEPAGE

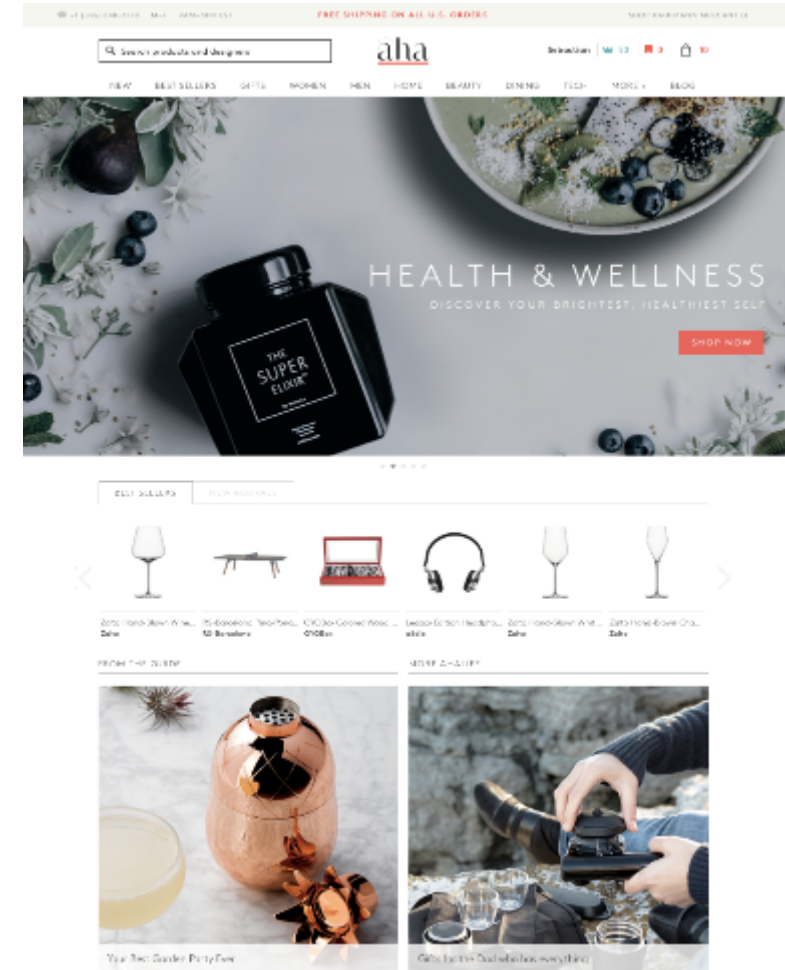
Old Website

Cluttered, look and feel of social media site, dynamic activity feed



New Website

Large lifestyle images, clean, simple, focused on best sellers, personalized



Our data and technology enables truly differentiated customer experiences, accurately defines customer acquisition strategies, and enhances website features

1. Built out of CRM data base to generate customized acquisition flows
2. Clear accountabilities and weekly KPI reporting for all team members
3. Use of scorecards, benchmarking and surveys to learn about our customers', vendors', and employees' needs
4. Merchandise recommendation algorithm that constantly improves over time

We aim to create strong, memorable brands that engage, enlighten and educate our customers

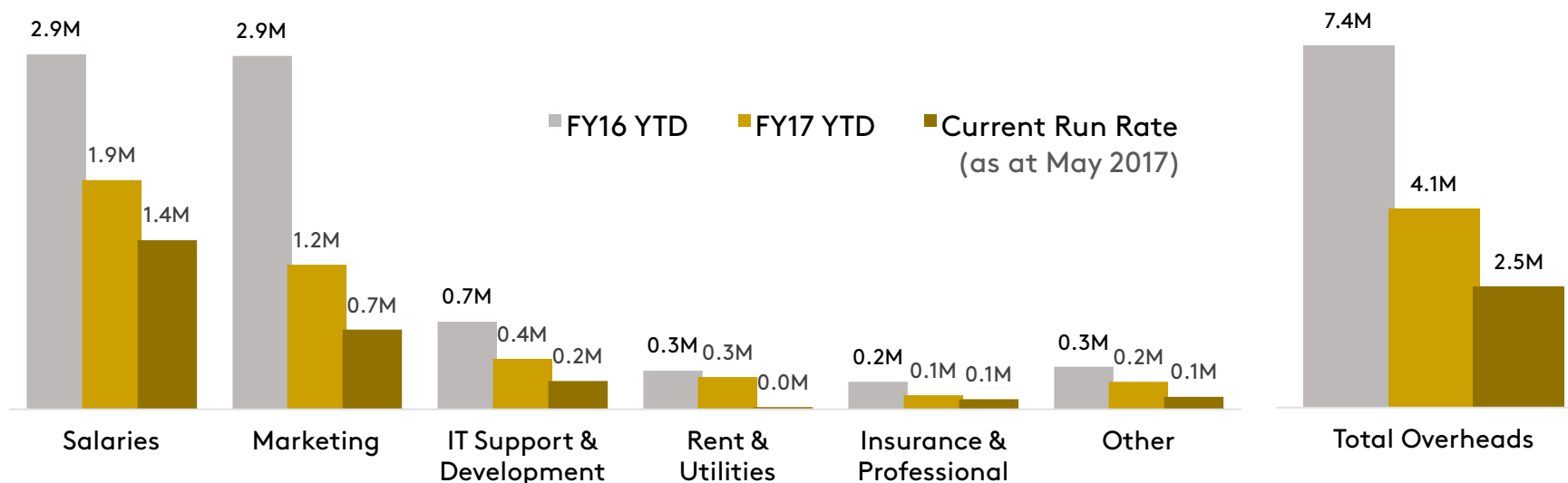
1. Multi-channel in-house content strategy
2. Establish strong relationships with the media
3. Grow our brand awareness and reputation by building long-lasting and meaningful offline and online partnerships with like-minded brands, vendors, influencers and media outlets

III. MAJOR COST-OUT STRATEGY

FY17 YTD Opex reduced 45% on prior corresponding period

- Headcount reduction from 30 to 18
- Improved marketing ROI from 147% to 297% (May 2016 to May 2017)
- New office leasing to save \$250k p.a. (from 1st July 2017)

Overhead Structure (US\$ M)



- FY17 is a 45% saving on FY16
- The current run-rate is a 66% saving on FY16

Unit economics delivered 80% improvement in FY17

- +9% growth in Average Order Value
- 43% reduced reliance on price discounting
- Gross Margin increase 38% to 47%
- Net Contribution increase 16% to 26%

To May 2017	FY17 YTD		FY16 YTD		YoY Change
	Per Order		Per Order		
Average Order Value	\$198	100%	\$182	100%	+9%
Product Cost	\$88	45%	\$85	47%	+4%
Product Margin	\$110	55%	\$97	53%	+13%
Discounts & Offers	\$17	9%	\$30	17%	(43%)
Returns & Cancellations	\$16	8%	\$13	7%	+23%
Gross Margin ¹	\$77	47%	\$54	38%	+43%
Shipping	\$18	9%	\$20	11%	(10%)
Card Processing Fees	\$5	3%	\$4	2%	+25%
Net Contribution	\$54	26%	\$30	16%	+80%

¹ Gross Margin % is calculated as a percentage of Net Revenue (which is Gross Revenue minus Returns & Cancellations and Discounts & Offers).

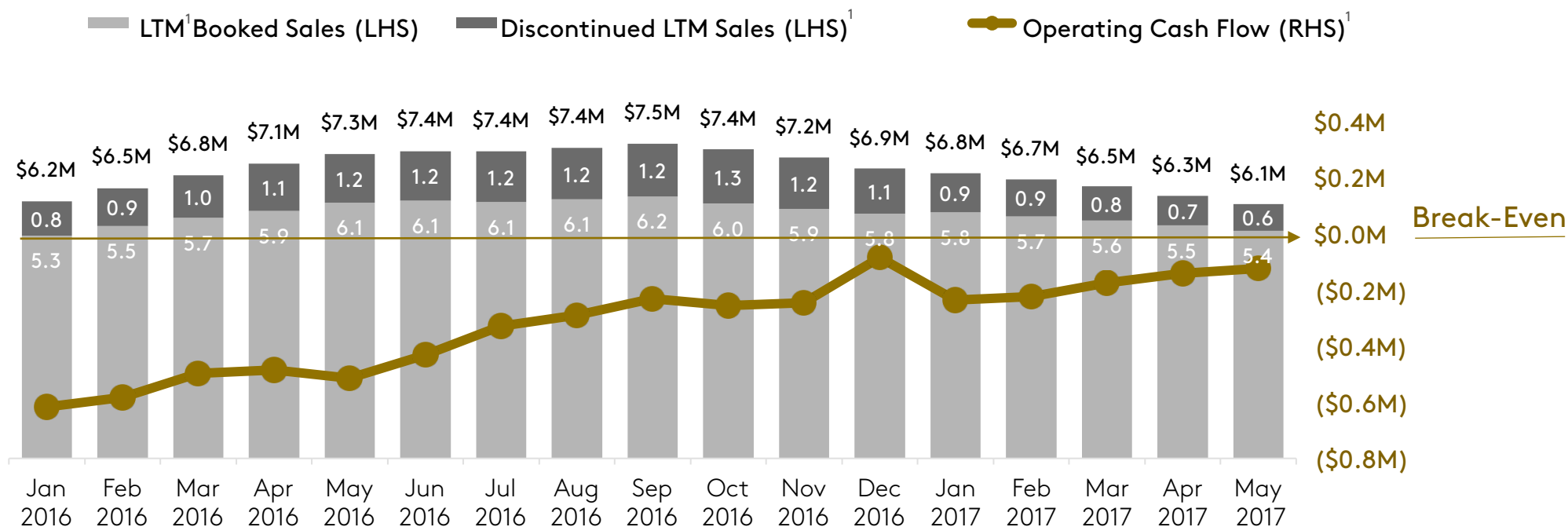
FY17 – a ‘clean’ year, no listing and acquisition costs

Additional savings made in non-operating costs

Annualized Cost (US\$000s)	Run Rate	FY17 Full Year Estimate	FY16 Full Year	<i>FY17 % Change</i>	<i>Run Rate % Change</i>
Audit	\$130	\$130	\$184	(29%)	(29%)
Tax	\$10	\$12	\$15	(20%)	(33%)
Director Fees, D&O	\$65	\$189	\$325	(42%)	(80%)
Company Secretarial & Legal	\$125	\$135	\$168	(20%)	(26%)
Listing Fees, Registry & AGM	\$80	\$80	\$108	(26%)	(26%)
Annual Total	\$410	\$546	\$800	(32%)	(49%)

Cashflow momentum toward break-even

Underlying improvement not impacted by seasonally slower months



¹ "LTM" = Last Twelve months, "RHS" = Right hand side, "LHS" = Left hand side

US\$10M revenue required to break-even

- High profit margins and highly scalable
- Platform capacity sufficient for multiples of current volume

(US\$MM)	B/Even	Scenario 1	Scenario 2	FY17 Estimate Normalised ¹
Orders	50,000	100,000	200,000	30,400
AOV (\$)	\$200	\$200	\$200	\$200
Revenue (\$MM)	\$10M	\$20M	\$40M	\$6.1M
GM %	38%	38%	38%	38%
GM	\$3.8M	\$7.6M	\$15.2M	\$2.3M
Overheads	\$3.8M	\$5.2M	\$7.6M	\$3.3M
EBITDA	B/Even	\$2.4M	\$7.6M	\$(1.0)M ²

¹ FY17 sales with current run-rate overheads

² Full year FY17 EBITDA estimated \$(2.6)M. Normalised FY17 EBITDA of \$(1.0)M above is adjusted for major cost savings in place as of May 2017 (Salaries \$0.5M, Marketing \$0.5M, Rent \$0.3M, Tech \$0.2M)

Business focused on long-term growth

1. Refreshed management and engaged staff
2. Clear definition and focus of core customers
3. Prioritization on customer needs, data, technology and brand building
4. More user-friendly website with further enhancements to follow
5. Remerchandised product selection and redefined categories
6. Step change in cost and ROI
7. Strong margins and strong unit metrics remain in place

Visit us at:

www.ahalife.com

www.kaufmann-mercantile.com

