

## Full Year Trading Update

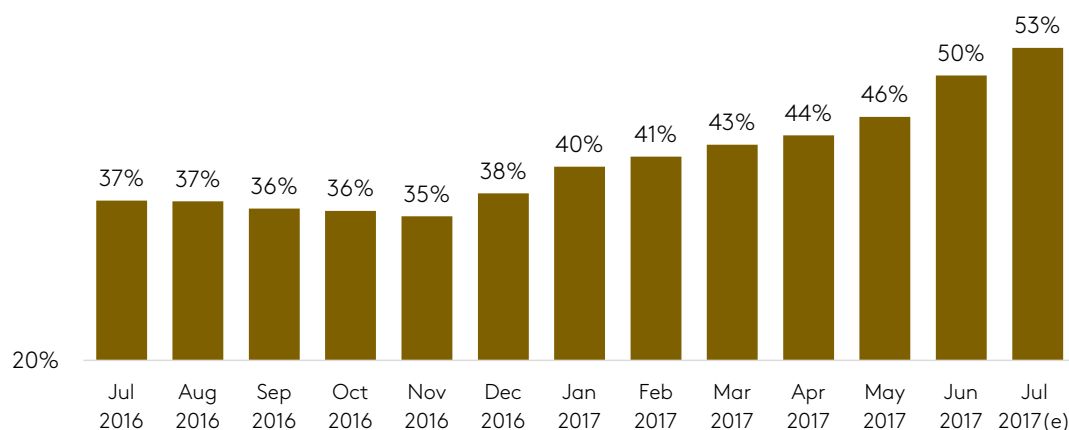
### New York, USA and Sydney, Australia – 31<sup>st</sup> July 2017

AHALife Holdings Limited (ASX: AHL), (“AHA” or “the Company”) the online marketplace known for its leadership in curated design and lifestyle e-commerce, today announces its full year unaudited financial results for the year ending June 30<sup>th</sup> 2017 (“FY17”) and its fourth quarter cash flow statement (Appendix 4C).

### The Year in Review

The financial year to June 30<sup>th</sup> 2017 has been a successful one for AHALife. The business has undergone several transformations across a number of key areas and reached new milestones throughout the year, demonstrating a strong, scalable business model in recent months.

### Customer Retention



Customer retention is calculated as the number of customers retained in the past 12 months as a percentage of the total new customers acquired over the same 12 month period.

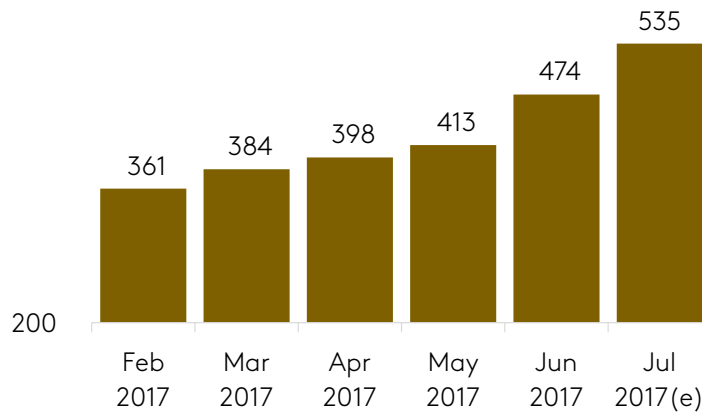
Changes to the business strategy in November 2016 have had an immediate effect on the rolling 12-monthly customer repeat rate. A new merchandising strategy and website user experience improvements from February this year continue to improve the rate at which the business retains customers.

### Recent Changes

Since February 2017, the business has made several significant changes to leadership, merchandise and its website, the results of which are evidenced in the increased customer retention (above chart), and in monthly sales (see chart below).

## Normalised Booked Sales

(US \$ 000s)



Historical sales have been normalised to show comparable sales excluding products removed from the since March 2017 as a result of the merchandise review & rationalisation project.

- Merchandise**

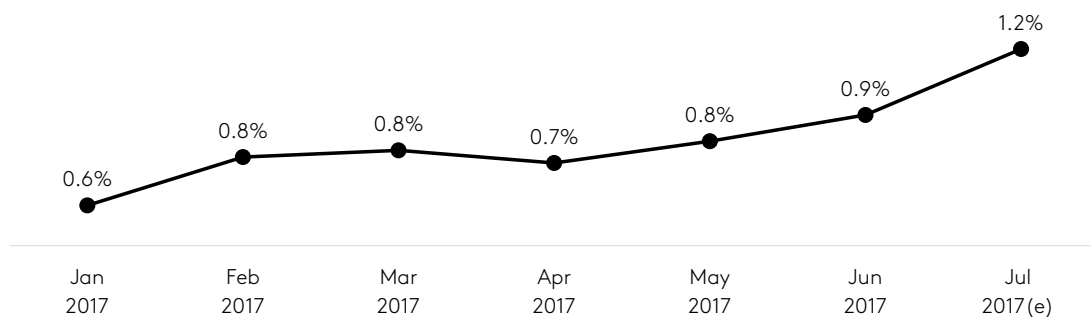
Since March 2017, the business has undertaken a comprehensive merchandising review of the company's 25,000 product catalogue, leading to product rationalisation and a refreshed merchandise taxonomy. The changes have led to non-core products being removed and improved merchandising throughout site, both of which have enhanced the customer's shopping experience.

- Leadership**

In February 2017, the senior management at the time mutually agreed with the board to step down from day-to-day operations and directorships of AHL. Sebastian Kaufmann, the Chief Curation Officer at the time and previously CEO & founder of Kaufmann Mercantile, replaced Shauna Mei as CEO of AHAlife and management of the two websites. The change in leadership has enabled the business to achieve a fresh approach to its strategy and merchandise, and also significantly reduce employee expenses.

- Website**

Website Conversion Rate



Since March 2017, both sites (ahalife.com & kaufmann-mercantile.com) have received an overhaul of functionality. Front-end improvements include a redesigned homepage and, in the final stages, an improved checkout flow and a redesigned product details page.

Significant engineering time has been spent improving the back-end functionality of the site to improve the customer's discovery process including the launch of AHA Insider, our own customer loyalty program. A number of features now present relevant items more quickly to site visitors and assist them in discovering items more easily through enhanced search capability, additional product filtering and the use of personalised machine-learning suggestions. All of which has enhanced the customer's shopping experience, as evidenced by an increase in user engagement and conversion rates on site (20% increase in conversion rate, 12% increased time spent on site, and a 6% reduction in bounce rate (users leaving the site immediately upon arrival)<sup>1</sup>).

## Key Metrics



- Average Order Value ("AOV") increased 10% to US \$198 (AUD \$260) despite the acquisition of Kaufmann-Mercantile which has an AOV approximately 20% lower than that of AHAlife.
- Gross margin, already above industry average, climbed a further eight percentage points to 47%, from 39% in FY16.

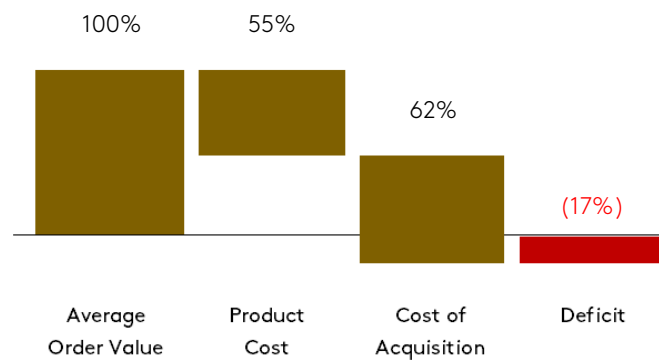
<sup>1</sup> Data source: Google Analytics for ahalife.com for the three months to June 30<sup>th</sup> compared to the prior three month period.

- Fixed Overheads (Opex) in FY17 reduced by a third on the prior year, and by half on a forward-looking, run-rate basis.

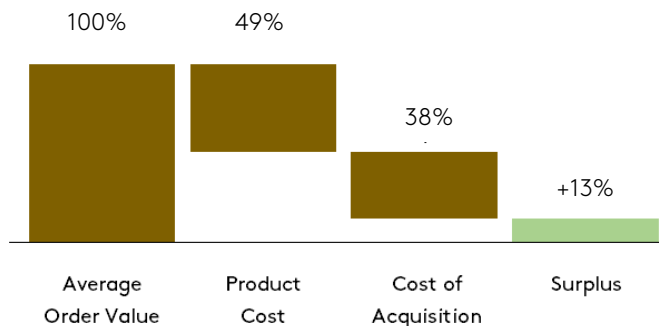
### Sustainable, Scalable Business

Customer Acquisition Cost ("CAC") improved 30% in FY17 through better targeting and more efficient marketing investment. The business is now paying an average 25% less to acquire each new customer as the charts below illustrate.

#### Unit Economics: FY16



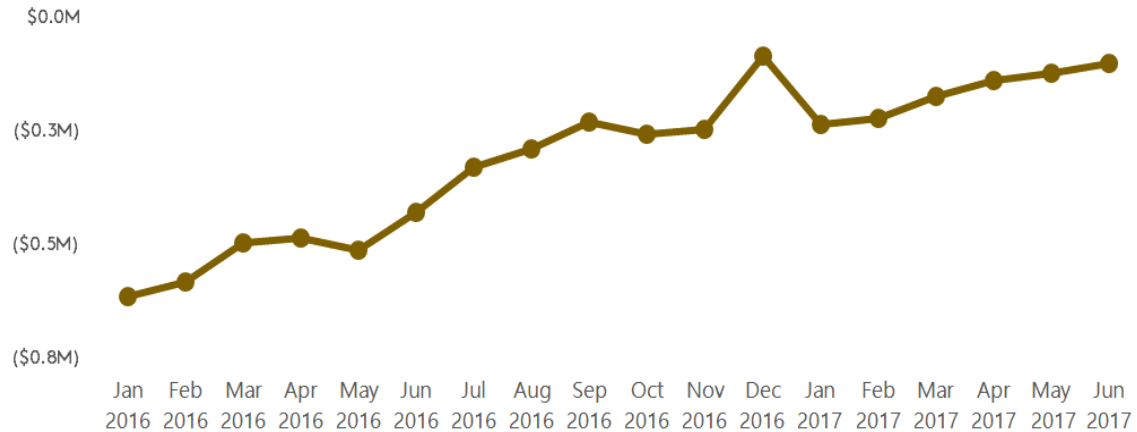
#### Unit Economics: FY17



## Operating Cash Outflow

(US \$ Millions):

Operating cash flow has steadily improved over the past 18 months.



## Other FY17 Highlights

- Kaufmann Mercantile Acquisition**

At the beginning of the financial year, the Company made a very successful acquisition of Kaufmann-Mercantile - a complementary website offering a new vertical and a new audience for the Company. In under a year, the acquisition has delivered a 10x return on the purchase price of the asset, and the site continues to grow under the ownership of AHAlife.

- Record Holiday Season Sales**

In November 2016, the Company broke new records with its highest sales over Thanksgiving – the peak retail event in the United States, where AHA has its primary operations. The Company also achieved its highest daily sales with orders totalling US \$118k (AUD \$157k) on Cyber Monday.

## Financial Results Overview

	<u>Financial Year</u> to 30 <sup>th</sup> June 2017	<u>Financial Year</u> to 30 <sup>th</sup> June 2016	Change	
Gross Margin	47%	39%	+8pps	✓
Product Margin	51%	45%	+6pps	✓
Average Order Value	US \$198	US \$181	+9%	✓
Offers & Discounts	10%	19%	-9pps	✓
Shipping Costs	9%	11%	-2pps	✓
Net Sales Revenue	US \$5.1M	US \$5.3M	-5%	
Operating Cash Outflow	US \$2.9M	US \$5.7M	+US \$2.8M	✓

Note: Figures are unaudited

## Outlook

After a year of restructure and resetting, the business model is now delivering a sound and scalable foundation upon which it intends to grow. The team are energised for the year ahead and continue to enhance a great product which now aligns closely with a well-defined customer.

All figures shown in Australian dollars have been converted at the rate of 1 AUD: 0.75 USD

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For inquiries contact either:

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## About AHAlife

AHALife Holdings Limited (ASX: AHL) is a curated online marketplace for consumers of unique and designer items. Customers purchase directly from a market of over 4,300 handpicked designers and artisans in 45 countries. AHAlife built and operates the scalable, enterprise-grade technology platform that allows hand-selected sellers to create and manage their own storefronts, inventory and pricing. Sellers ship directly to consumers from around the globe. For more information, please contact AHA Investor Relations on [ir@ahalife.com](mailto:ir@ahalife.com).

AHALife also operates the site '[kaufmann-mercantile.com](http://kaufmann-mercantile.com)' which was acquired in July 2016 by AHAlife. Kaufmann Mercantile is the no.1 brand, and curated shopping destination, for sustainable, affordable, premium home goods. The site was transitioned across to the AHAlife technology at the time of acquisition which now runs the kaufmann-mercantile site as a drop-ship marketplace.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

AHALIFE HOLDINGS LIMITED

**ABN**

15 006 908 701

**Quarter ended ("current quarter")**

30-Jun-17

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (12 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,009	5,248
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(653)	(3,698)
(c) advertising and marketing	(187)	(1,394)
(d) leased assets	57	57
(e) staff costs	(450)	(2,579)
(f) administration and corporate costs	(189)	(1,123)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	(0)	(28)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(412)</b>	<b>(3,518)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
	(d) intellectual property		
	(e) other non-current assets	(1)	(2)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(1)</b>	<b>(2)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,404	4,527
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(412)	(3,518)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	3	(14)
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>994</b>	<b>994</b>



5. <b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1      Bank balances	994	1,404
5.2      Call deposits		
5.3      Bank overdrafts		
5.4      Other (provide details)		
<b>5.5      Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>994</b>	<b>1,404</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$US'000
6.1      Aggregate amount of payments to these parties included in item 1.2	59
6.2      Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3      Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$US'000
7.1      Aggregate amount of payments to these parties included in item 1.2	
7.2      Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3      Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	


8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. <b>Estimated cash flow for next quarter</b>	\$US'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(914)
9.3 Advertising and marketing	(254)
9.4 Leased assets	-
9.5 Staff costs	(394)
9.6 Administration and corporate costs	(217)
9.7 Other (receipts from customers)	1,242
<b>9.8 Total estimated cash flows</b>	<b>(537)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  ..... Date: 31 July 2017  
(~~Director~~/Company secretary)

Print name: Andrew Whitten  
.....

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.