



Investor roadshow presentation



May 2018



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AuMake

AuMake is an ASX listed company that understands the complexities of both the daigou and Chinese tourist markets

- Significant growth in our financial performance since ASX listing
- The ability for AuMake to own both the retail stores/distribution network and the brands we sell
- Creation of a proprietary distribution network for the flow of Australian products to Chinese consumers
- Market capitalisation of approximately \$70m

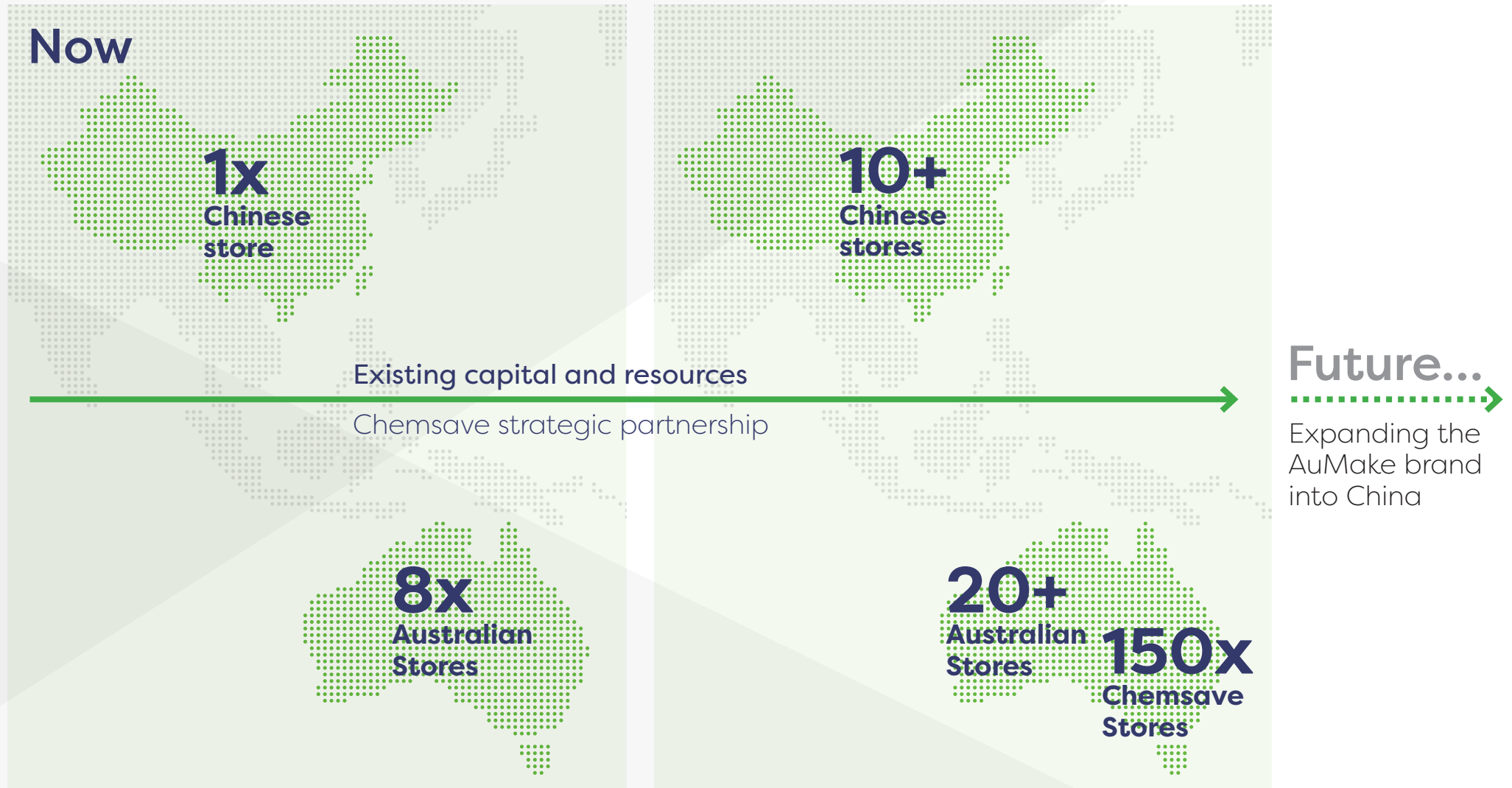


The true value in the Australian market lies in ownership over the distribution network to sell to China rather than a single brand.



Our mission

To be the **pre-eminent** retail brand connecting Australian suppliers directly with daigou and Chinese tourists.





Company overview – today

Operations



Australian stores (eight in Sydney)

1 Flagship store, 1 Daigou Hub, 1 Warehouse Showroom, 5 retail stores



One China Daigou Hub

in Xiamen with four more planned, to grow China based daigou networks



Auburn head office

(Sydney, NSW) combines a Warehouse Showroom and viewing platform for Jumbuck production



Store expansion

Two more in Sydney, assessing Melbourne, Brisbane and Gold Coast



Online sales platform

including WeChat

Targeted customers



400,000

daigou within Australia



1.4 million

Chinese tourists p.a. and growing



300 million

Chinese middle class and growing

Strategic partnership



Owned brands





Board and corporate governance

Board

(from left)

Quentin Flannery
Non-Executive Director

Joshua Zhou
Managing Director

Lingye Zheng
Non-Executive Director

Keong Chan
Executive Chairman

Gang Xu
Non-Executive Director



Industry leading corporate governance practices including:

- Key ongoing business and corporate risk assessments by insurance providers and KPMG
- Staff remuneration and all other employee entitlements meet award rates and other statutory requirements
- All owned brands meet TGA and other relevant standards



Demand from China for Australian products

Ongoing multi-generational demand from China for Australian products and what they **represent** for Chinese consumers in terms of lifestyle

- This demand has proved very lucrative for some ASX listed companies in the space (eg market capitalisations – A2 Milk \$8.2 billion, Bellamy's \$2.1 billion and Blackmores \$2 billion) at 35–60 x PE multiples (as of 2 April 2018)
- Why are some brands so popular with Chinese when other brands are not popular at all?
- Where did this all start?
- What is the future?





Daigou



‘Daigou’ means to ‘buy on behalf of’

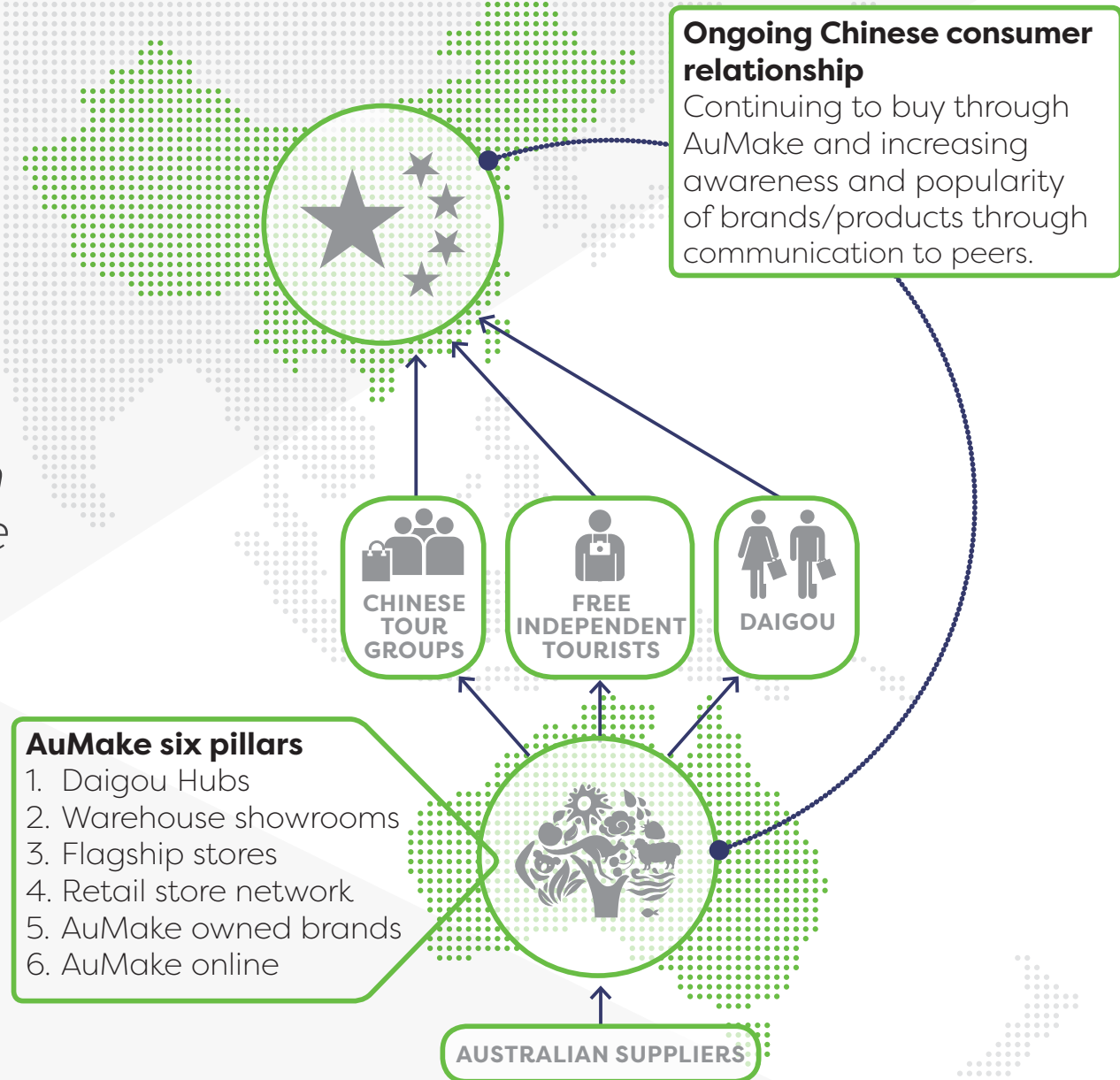
- **Unique to Chinese culture as a legitimate retail channel**
 - A practice that has existed for decades globally (Japan, America, South Korea etc.) – I trust my friend or friend-of-a-friend to buy overseas products for me
- **Fake/counterfeit products are rife** within China
- **Chinese rely on daigou as the preferred channel** to source genuine Australian product. Chinese are reliant on daigou endorsement
- **Daigou are therefore the most influential channel** when it comes to product popularity with Chinese consumers
- **Daigou market segments** fall into professional profit driven and non-profit driven (friends/family)
- **Daigou craving the glory days**, driven by larger profit margins – seeking new products to endorse





AuMake six pillar growth strategy

Provides AuMake with sustained competitive advantage





1. Daigou Hub – Haymarket



- Daigou engage **directly** with Australian suppliers in 430sqm purpose built facility
- **Physically** educate daigou on benefits of a new product/brand and how they are differentiated from other products/brands
- On site **livestreaming**, cutting edge retail technology





2. Warehouse Showroom – Auburn



- Showroom to host **Chinese tourist delegations** and **VIP daigou**
- Viewing area for UGG Aus/Jumbuck wool production
- Warehouse facility
- Auburn is also home to AuMake's head office





3. Flagship Store – George Street (Sydney CBD)

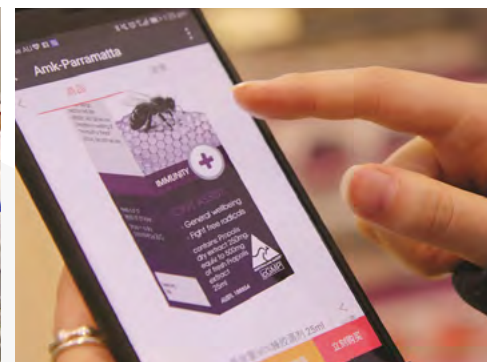
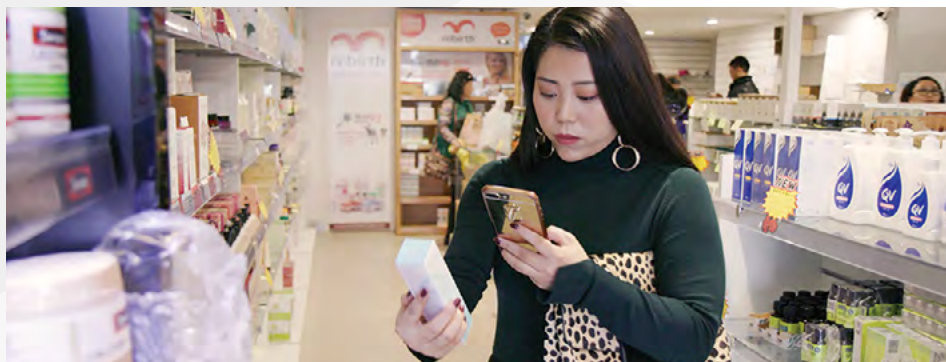


- Caters to Free Independent Tourists (FIT)
- FIT are typically of a younger generation with high incomes and **significant appetite** to experience and purchase new products which attract **higher profit margins**





4. Retail Store Network



- Service daigou and Chinese tourists in their **local Chinese communities** to provide convenience and on-the-ground support to other AuMake pillars.



5. AuMake owned brands

Owned brands



Wool products



Health supplements



Medical honey



Wool and leather

Four product categories



Healthcare
supplements
and food



**Skin and
body care &
cosmetics**



**Dairy products
& baby food**
including infant formula



Wool & leather

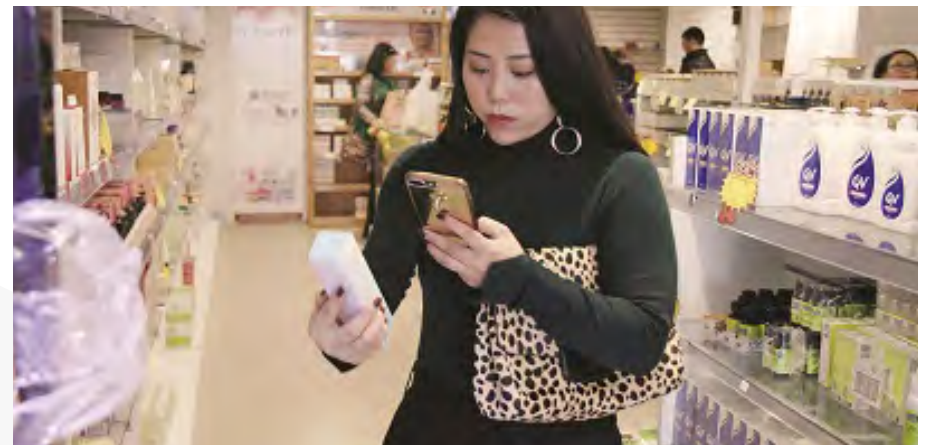
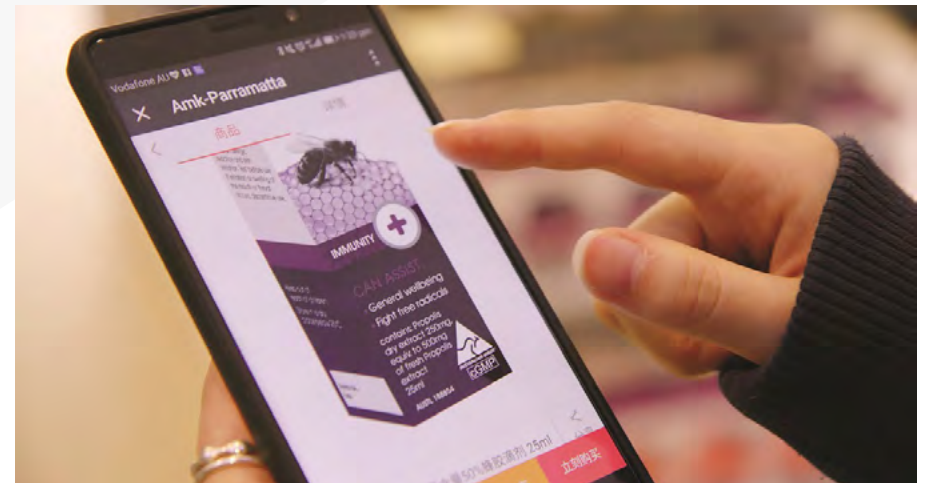


6. AuMake Online (including WeChat)



40% of existing sales come via WeChat orders from loyal AuMake customers

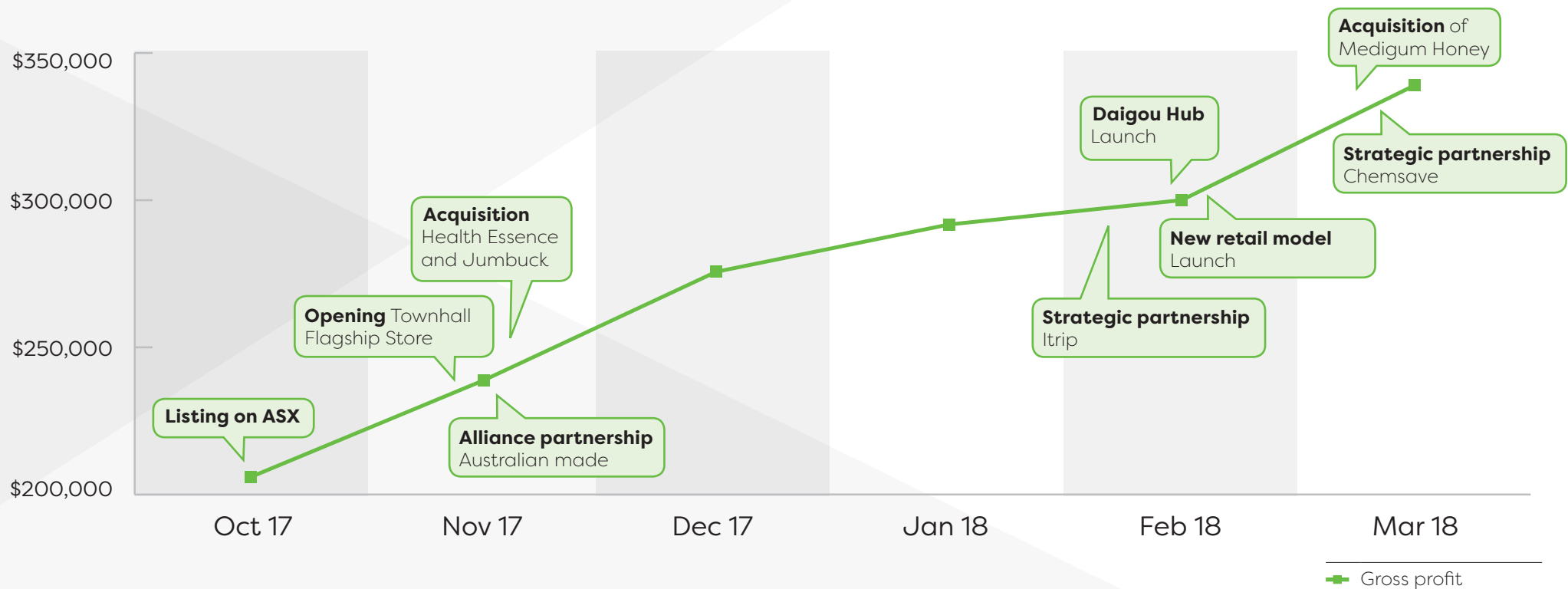
- AuMake will continue investing to grown online capability
- Significant growth potential to support and develop AuMake daigou who travel and relocate back to China (**10%** of existing WeChat and Alipay payments are coming from China)





Financial Performance Summary

- **Strong month by month growth since listing**, sales and gross profit increased by 50% and 64% from Oct 17 to Mar 18
- **Gross margin increased** from 11% in Oct 17 to 16% in Mar 18
- **Reaching operational breakeven**
A continued strong trend in the Company's gross profit will cover essential costs of running the AuMake business
- **Healthy balance sheet**
\$17.7 million current assets (cash at bank \$13.2 million and \$3.1 million in inventory) with current liabilities of \$1.5 million

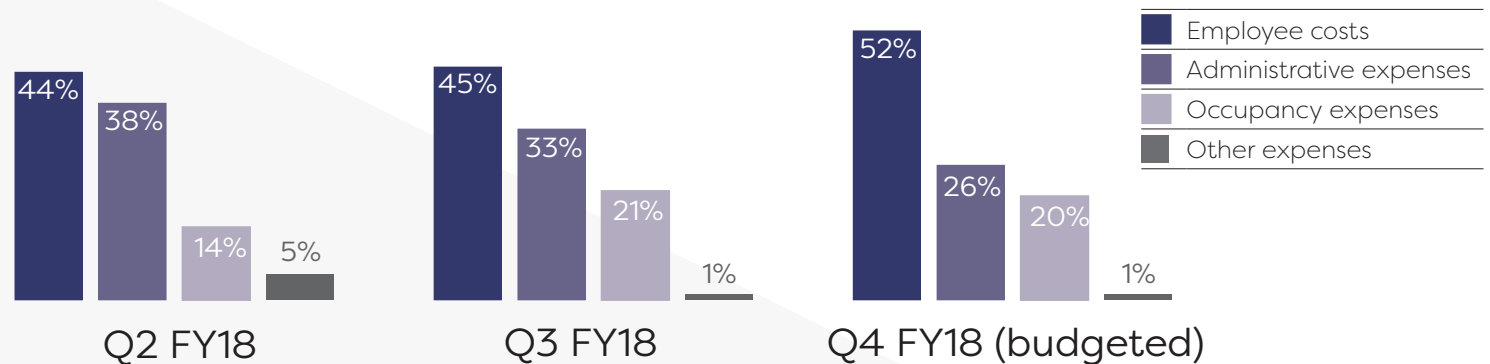
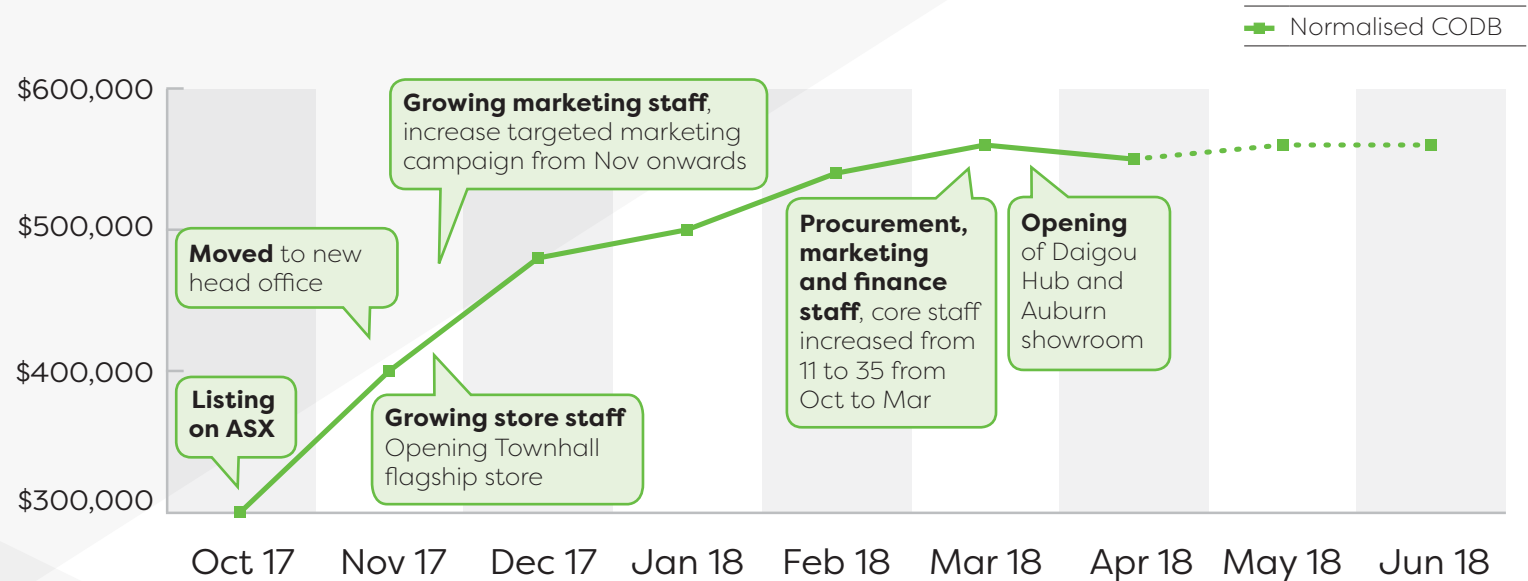




Strong trend towards normalised CODB* breakeven

- The Company has **stabilised** the normalised CODB through effective cost controls
- The normalised CODB is **sufficient** to support AuMake's future growth up to 18 months
- These costs are scaling across a larger retail store print
- A **closing gap** between normalised CODB and gross profit indicating significant progress towards operational breakeven point

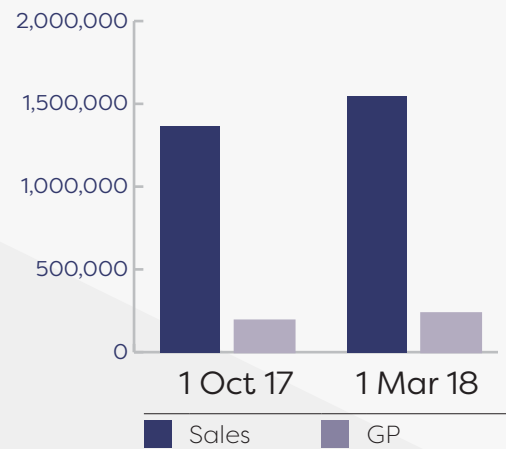
*Essential employee/corporate costs, occupancy expenses and marketing expenses



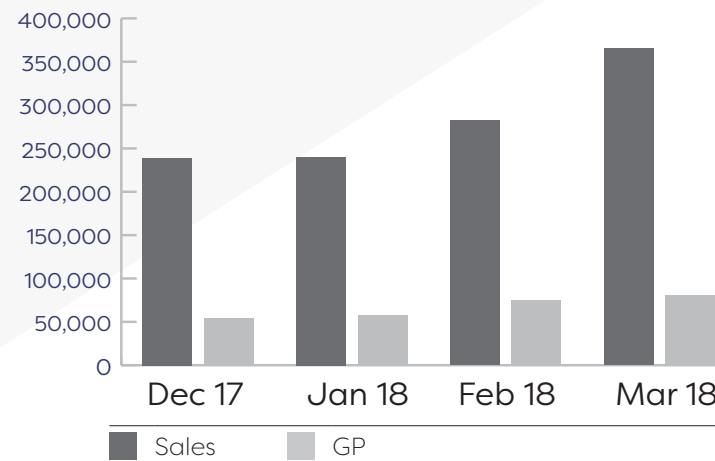


Strong same store growth

Same store growth



Flagship Store (Sydney) performance



- Same store* sales and gross profit **growth of 13.2% and 23%** respectively from October 17 to March 18
- Ability to extract significant value from existing assets

*Same stores are our original five retail stores.

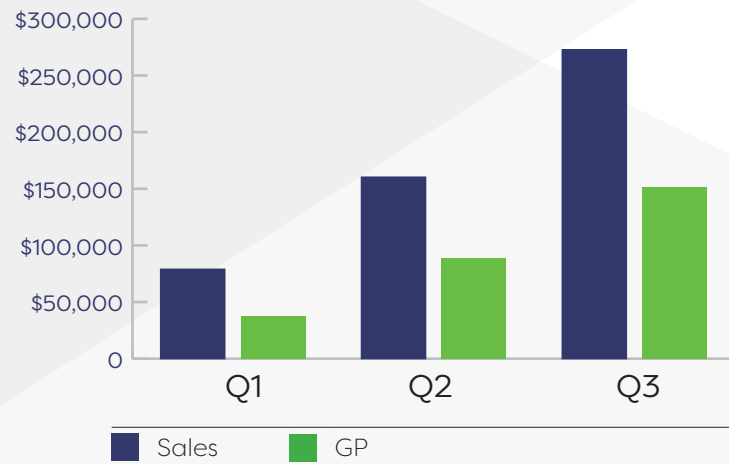
- Consecutive increases in sales and gross profit since opening in November 2017
- **Gross margin of 22%** due to Chinese free independent tourists and Itrip.com strategic partnership
- Strong ability to sell new brands and AuMake owned brands, 27% of the own branded products are sold in our Flagship Store



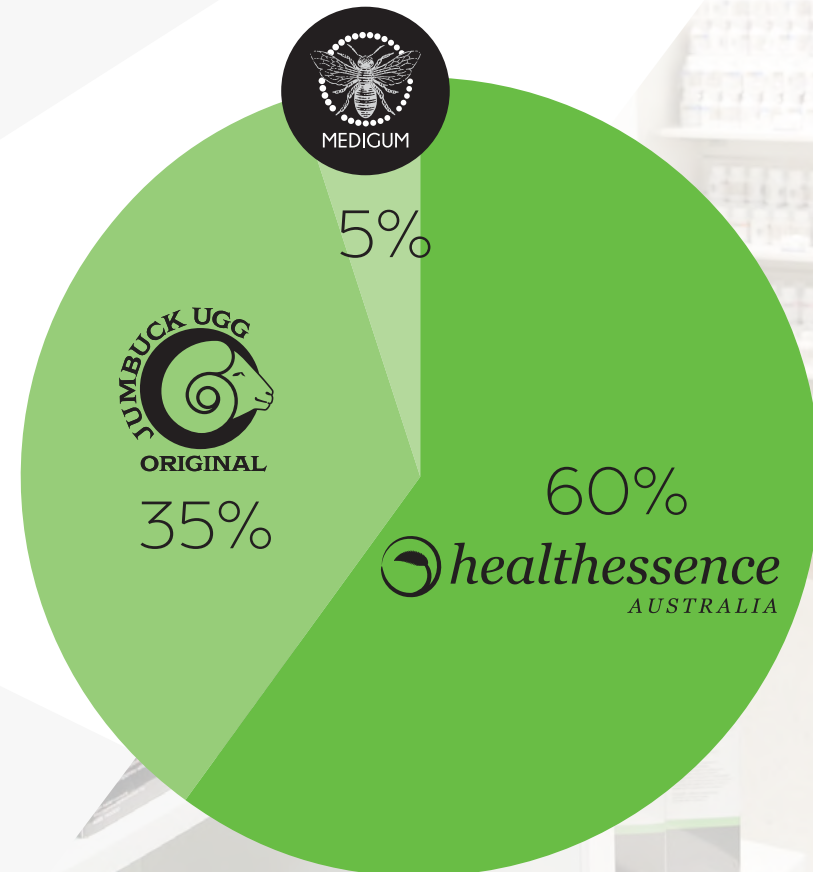
AuMake owned brands

Financial performance

- In March 2018 quarter, sales of \$273k and gross profit of \$151k (gross margin 55%) for own branded products
- This represents an improvement of **70.6%** and **71.5%** for sales and gross profit respectively relative to the December 2017 quarter
- New cosmetic/skincare products will be added to the portfolio in June quarter



Own branded product sales for the March 2018 quarter consisted of the following mix:



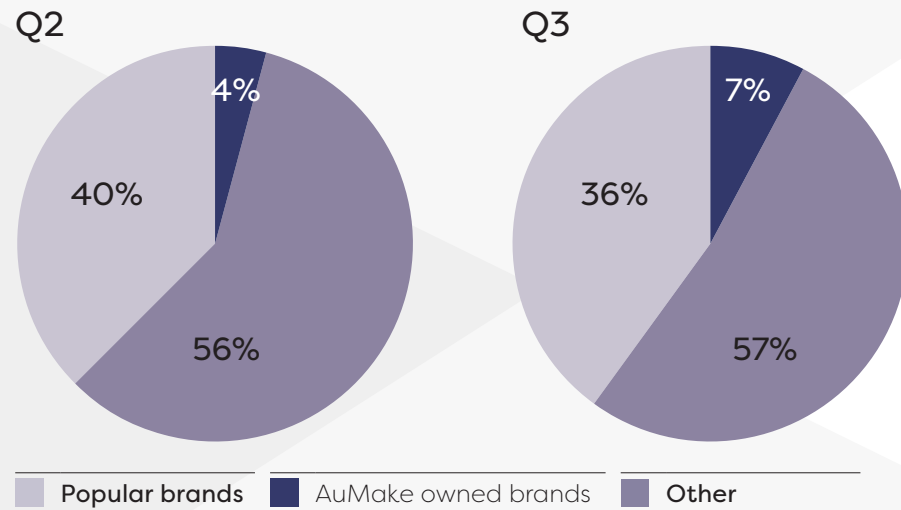


Product distribution by sales and gross profit

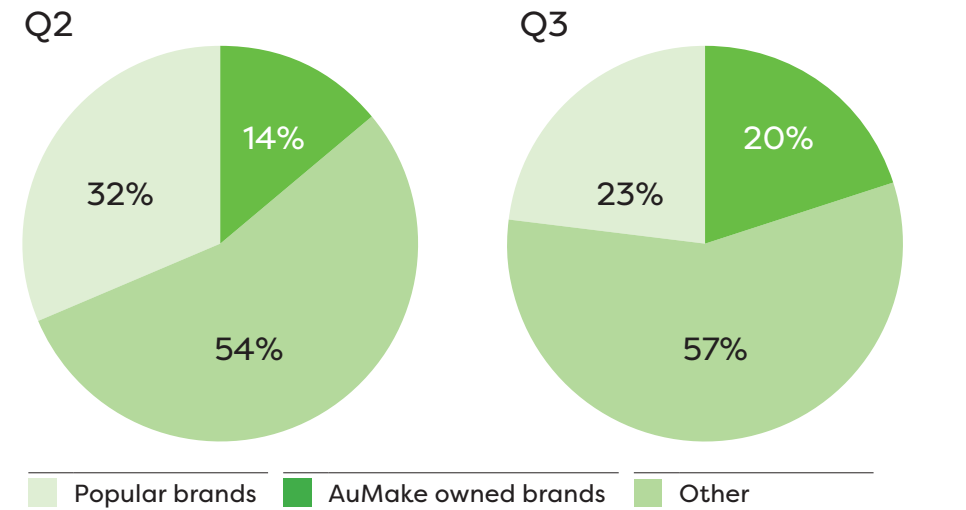
- Weighted average contribution for gross profit from own brand products increased to **20%** in March quarter from 14% in the December quarter

- Popular brands' weighted average profit dropped by 8%, other brands (mostly unknown Australian brands) increased by 3% and they contribute over 50% of gross profit

Sales



Gross profit



Above movement demonstrated the following:

- This shift in product-mix away from popular brands demonstrates AuMake's strong ability to create and promote unknown brands

- Diversified product mix** with a move away from traditional low margin popular products



China growth strategy

- Opening of Xiamen Daigou Hub provides local daigou first hand experience with Australian premium products (heavily featuring **AuMake owned brands**)
- Anticipated to recruit a material number of China based daigou in H1 FY19
- Roll out strategy to other capital cities in China
 > 32 provincial capital cities
- Products shipped from AuMake's Auburn warehouse facility

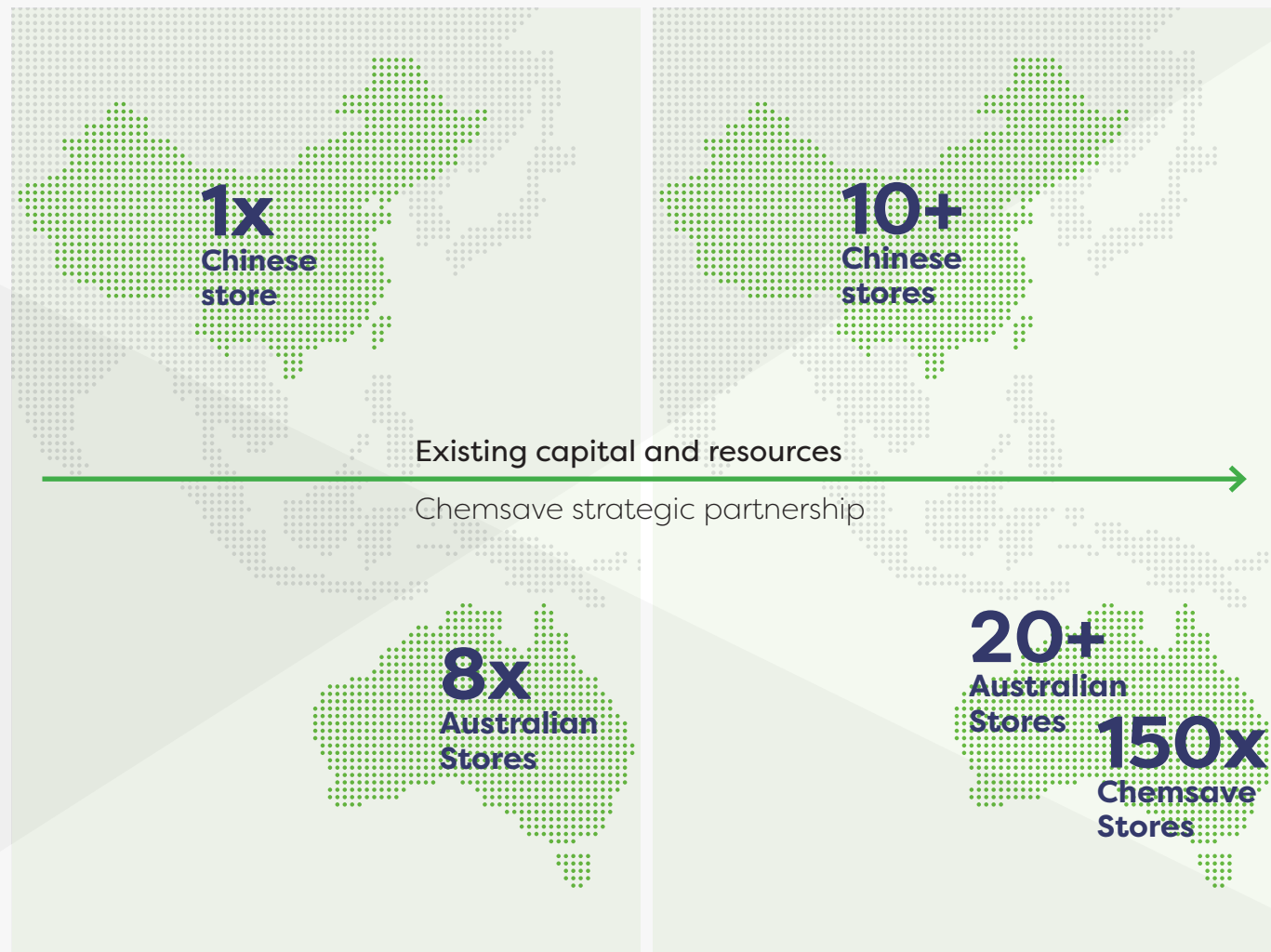




Summary and outlook

To be the **pre-eminent** retail brand connecting Australian suppliers directly with daigou and Chinese tourists.

Now



Future

- ✓ AuMake **fully funded** to execute this growth strategy
- ✓ Daigou market is **here to stay**
- ✓ Well positioned for the **lucrative Chinese tourist market**
- ✓ **Multi-generational** demand for Australian products
- ✓ 6 pillar growth strategy in place and **executing now**
- ✓ **Significant** sales, gross margin and gross profit improvement since ASX listing
- ✓ **Stable** normalised CODB allowing rapid progress towards breakeven
- ✓ **Strong cashflow** from retail business
- ✓ Significant upside via **owned brand ownership** and **China growth strategy**

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