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# Investor Update and Strategic Outlook

March 2019

 **AuMake**  
International Limited



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## Overview of 1H FY19

- AuMake has been using its 13 retail stores to develop a **profitable and scalable business model** in the Australian daigou and Chinese tourist (“cross border retail”) market
- AuMake retail stores now achieve gross margins **double** that of our competitors (20% vs 10%)
- AuMake can effectively sell less well known and AuMake owned brand products (**50%+ gross margin**)
- Online sales continue to comprise 30% of total sales
- Fixed operating expenses stabilised
- **Exclusive** strategic agreement with JD Worldwide (\$40b NYSE). First sales expected 4Q FY19.
- Opportunity to create a **BRAND** in the \$1.75b - \$2.5b Australian and New Zealand cross border retail market





## Profitable & scalable business model

- Significant turnaround in 1H FY19 (vs 2H FY18)
  - **Sales and gross profit up 77% and 108%**
  - Total operating expenses only grew 19%
- **Gross profitability significantly outgrew operating expenses**
- **Low capital investment required for store setup** (\$100k - \$200k average per store). The strength of AuMake brand, provides the ability to expand the retail store network quickly and with short payback periods.
- **Market leading efficiency** and cash investment to gross profit conversion
- Demonstrates AuMake business model can generate **sustained profitability** in a competitive market
- Corporate infrastructure in place to cater for future expansion

	1H FY18	2H FY18	1H FY19
<b>Sales (m)</b>	9,029	12,354	21,859
<b>Sales Growth Change (%)</b>		37%	77% <sup>1</sup>
<b>Gross Profit (m)</b>	1,124	2,019	4,205
<b>Gross Profit Change (%)</b>		80%	108% <sup>1</sup>
<b>Total Operating Expenses (m)</b>	2,472	5,714	6,802
<b>Total Operating Expenses Change (%)</b>		131%	19% <sup>2</sup>

1. Increase in sales and gross profit growth due to faster cash investment to gross profit conversion rate and increased customer visitation

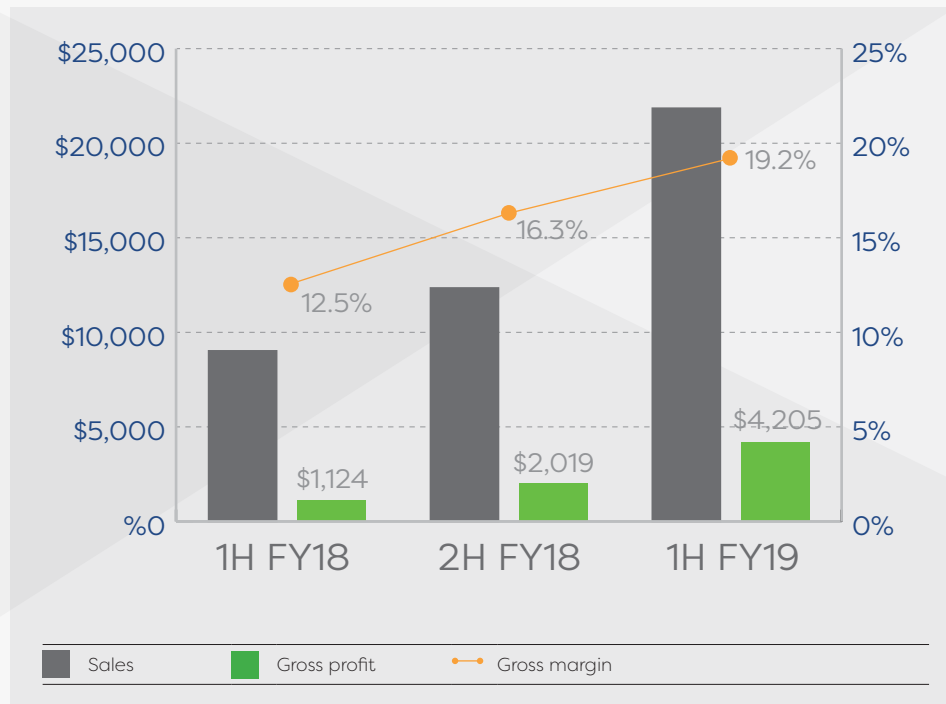
2. Budgeted increase in variable costs relating to direct labour and leasing costs in line with retail store network growth and increased marketing spend



# 1H FY19 financial overview

## Sales, gross profit and margin

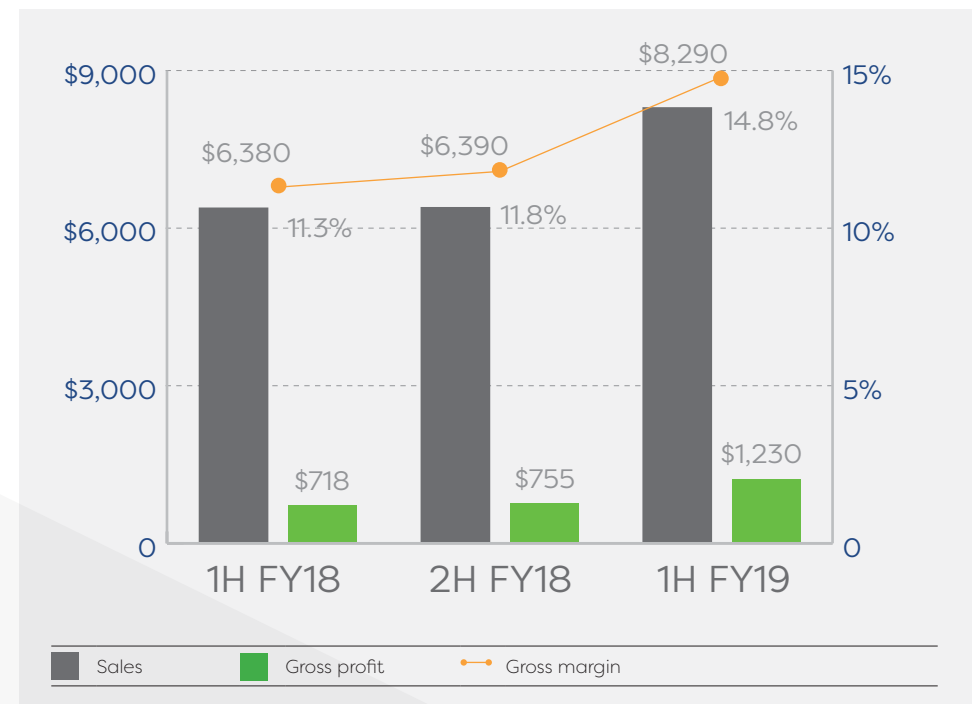
- Total sales up 142% to \$21.8m on the corresponding period 1H FY18
- Gross profit increased by 274% to \$4.2m resulting in a gross margin of 19.2%, an increase of 54% on 1H FY18 (21.2% gross margin for December 18 quarter)



## Same store growth\*

- Strong same store growth up 30% in sales and 71% in gross profit
- All stores have been maturing and achieved profitability during 1H FY19

\* same stores at the time of listing in Oct 2017

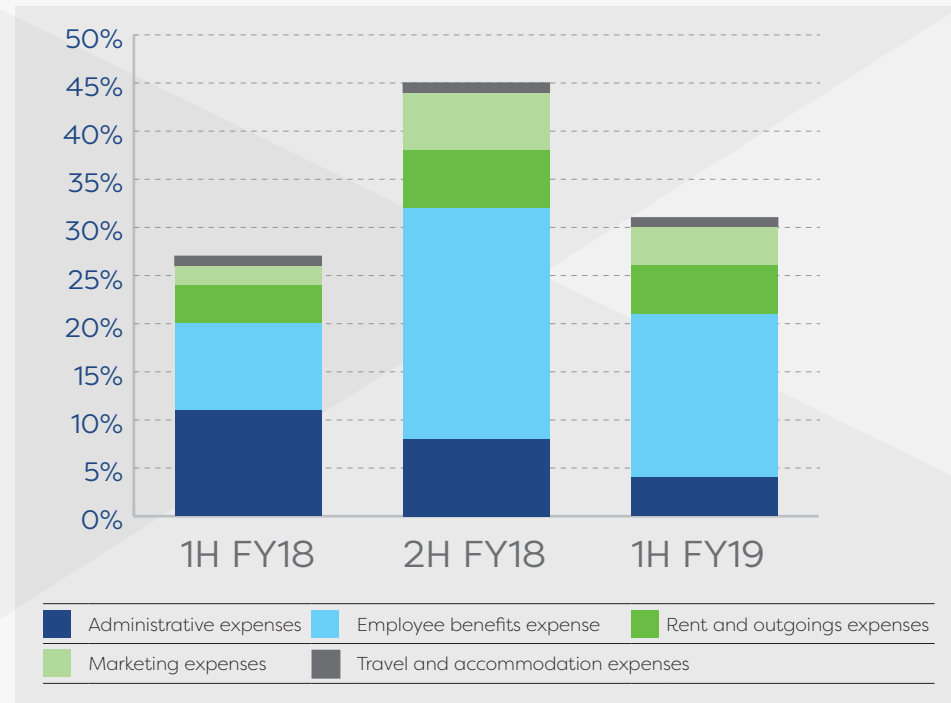




# 1H FY19 financial overview

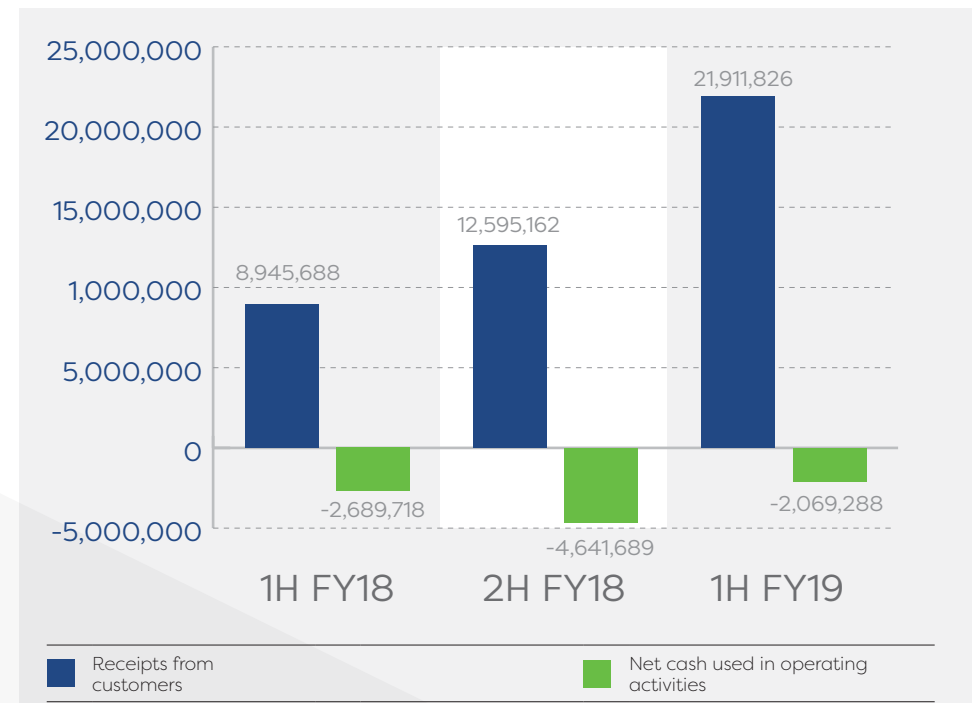
## Normalised operating expenses as a % of sales

- For the half year, **operating costs significantly decreased** representing 31% of sales, down by 33% from previous six months (2H FY2018)
- Stabilised fixed operating costs moving forward



## Net cash operating outflows

- Operating cash outflow significantly decreased to \$2.07m compared to 2H 2018 \$4.6m, while receipts from customers increased significantly during same period

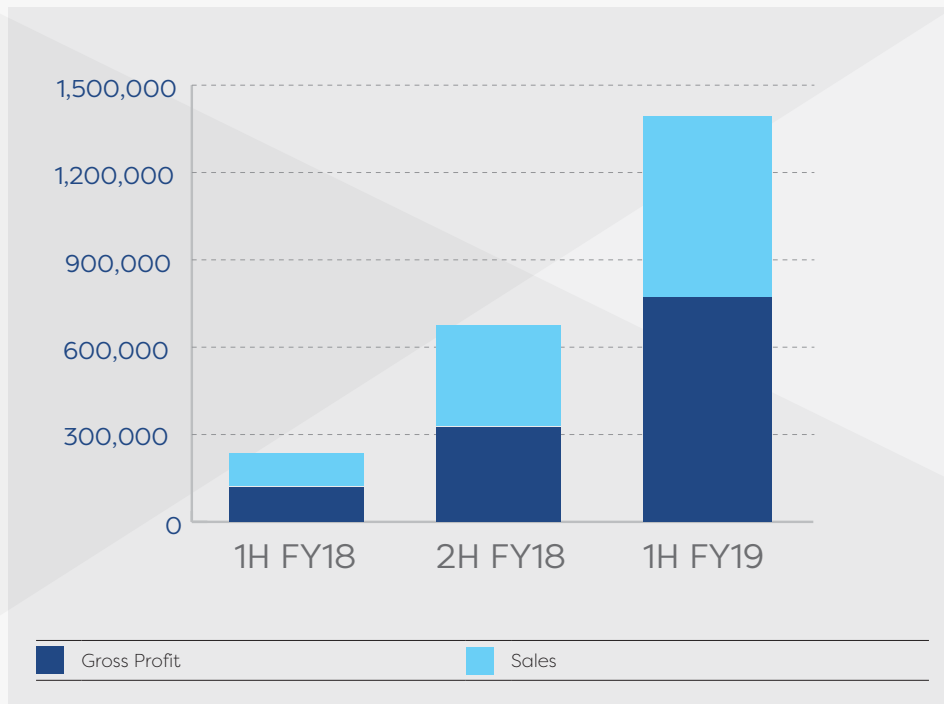




# 1H FY19 financial overview

## Owned brand sales

- Exceptional growth in **owned brand sales up 424% to \$1.40m** 1H FY19 compared to 1H FY18
- Key tenet of AuMake business model and gross margin expansion strategy
- Inherent value in owned brand equity; potential opportunity to sell these brand(s) themselves in the future

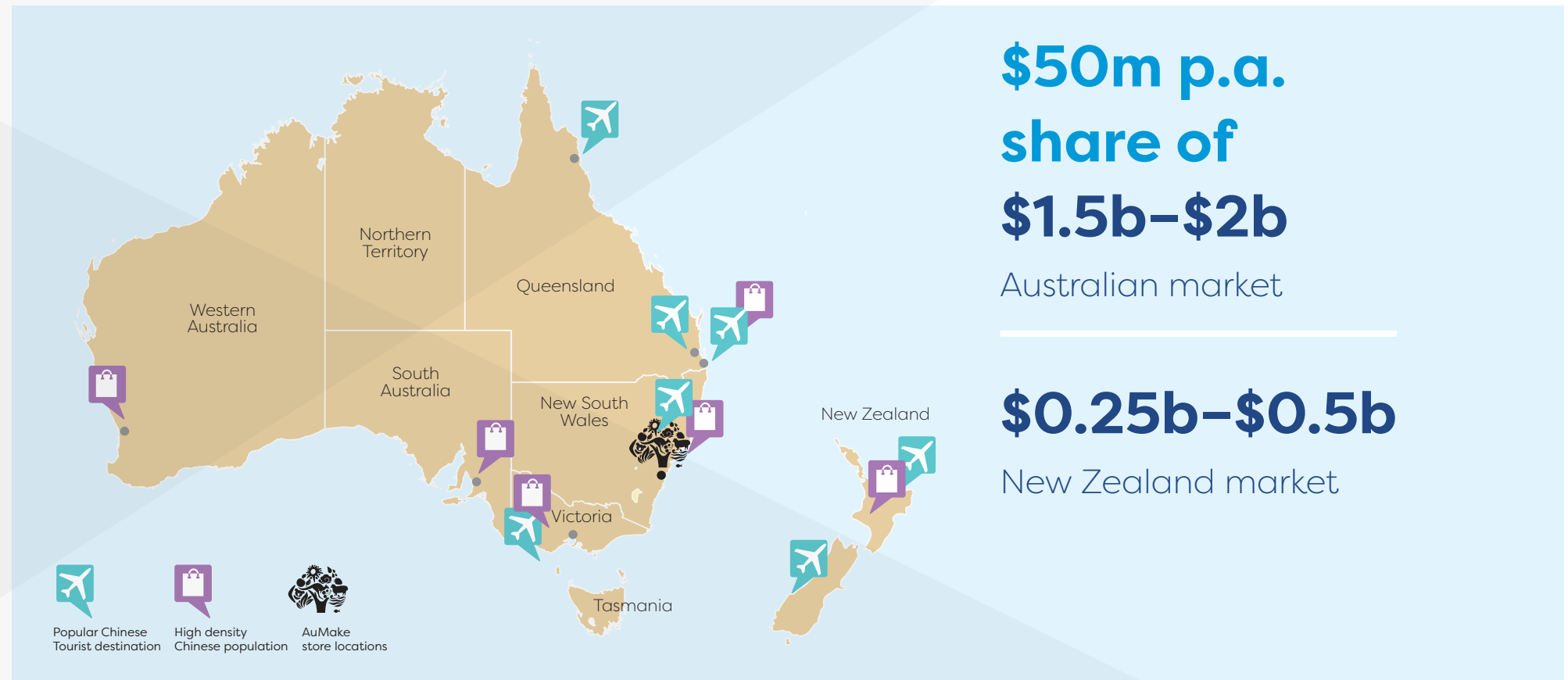




## Market size and AuMake today

- Total value of products via the cross border retail market estimated in **Australia to be \$1.5b – \$2b p.a.**
- New Zealand (NZ) market estimated to be **\$0.25b – \$0.5b p.a.**
- **AuMake currently only in Sydney** (13 stores) – Approx \$50m p.a.
- No dominant brands in either the Australian or New Zealand markets

### Cross border retail market geography

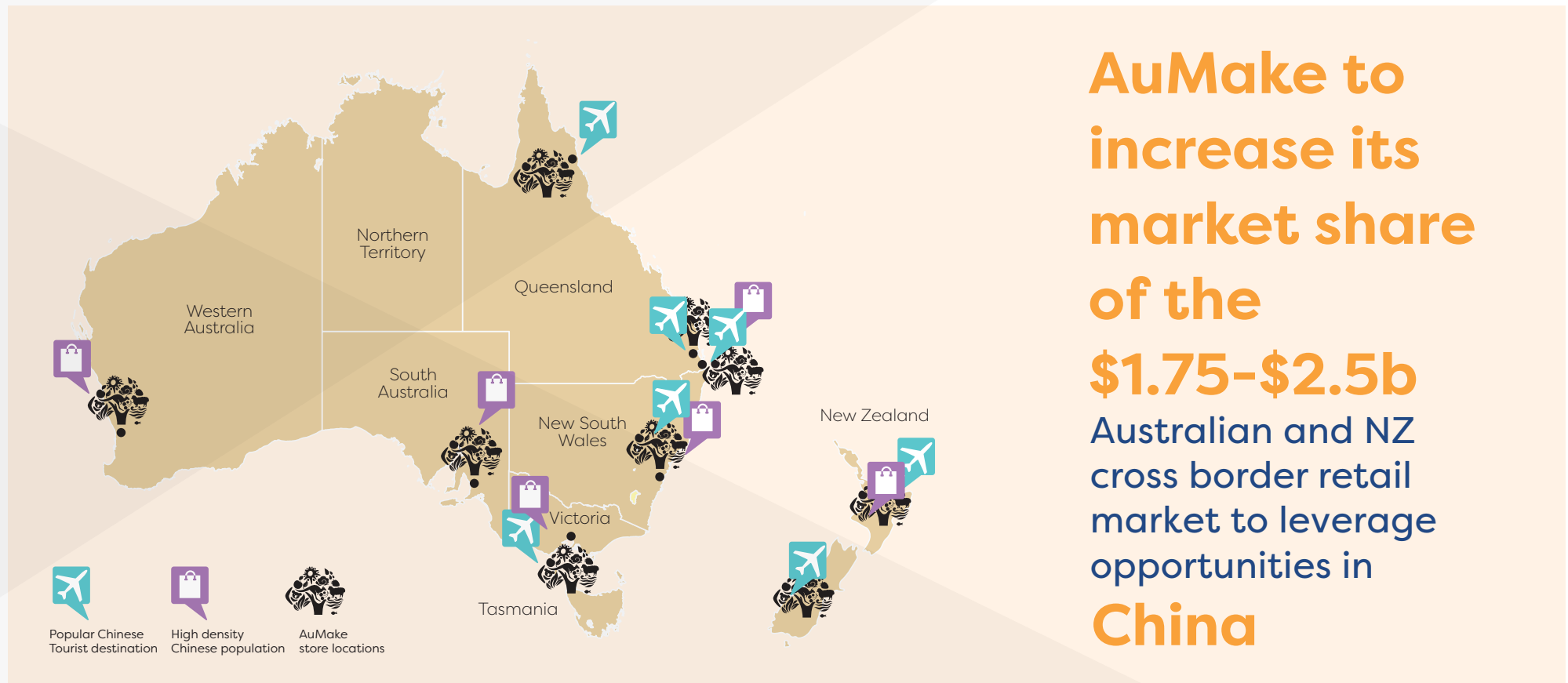






## AuMake's future

- AuMake assessing expansion opportunities in Australian and New Zealand capital cities:
  - Low store setup capital requirements to establish highly profitable stores in key new markets
- Once achieved AuMake has the opportunity to be the dominant retail brand in both Australia and New Zealand
- Opens a multitude of **company changing opportunities in China**





# China

## Exclusive strategic agreement with JD Worldwide

- JD Worldwide cross border e-commerce platform of JD.com, third largest internet company globally with revenues of A\$77b in 2017
- AuMake has **exclusive strategic agreement with JD Worldwide** as its retail store partner in Australia
- JD Worldwide online and logistics capabilities creates a seamless offline to online shopping experience to attract customers and increase market share in Australia
- **Mutually agreed A\$2m/month in sales to be achieved within next 12 months**
  - Anticipated initial sales in June FY19 quarter
- **Relationship progressing rapidly**
  - Exploring synergies within other divisions of JD Worldwide which can be leveraged in Australia



Mr Joshua Zhou, Managing Director, AuMake International Limited (left) and Mr Tian Zheng Dong, Global Business Development Director, JD Worldwide (right)



# China

## JiaJia TV distribution agreement

- Direct exposure through TV advertising reaching 300m Chinese viewers
  - \$100,000 in sales of owned brand products achieved in short trial period since November 2018 with one product line sold out
- Next scheduled screening planned for March 2019
- Opportunity to create a channel for products to directly reach Chinese market

## China summary

*JD Worldwide and JiaJia TV are only two of the multitude of potential company changing opportunities in China that AuMake can explore as the brand continues to grow*





## Current trading conditions and outlook

- **Strong trading volumes** observed post Chinese New Year
- **No structural changes** observed post **1 January 2019** e-commerce regulation
- Overall long term demand from China for Australian and NZ products is strong
- Cross border retail channel very resilient





## Strategic outlook

- Significant progress in last six months with AuMake achieving significant milestones:
  - Demonstrated capability to **generate profits well in excess of operating expenses**
  - Developed a **profitable and scalable business model** in a highly competitive market
- **Shift of strategic focus to rapidly increase market share**
- Due to **strength of AuMake brand**, future store setup capital requirements are very low, to allow for capital efficient growth of retail store network
- As an ASX listed company, **AuMake has access to opportunities in Australia, NZ and China not available to competitors**
- Currently leading change in our market and challenging industry precedents to disrupt market
- **Opportunity to be the dominant brand in the Australia and NZ cross border retail market** leading to a multitude of company changing opportunities in China
- Sufficiently capitalised to seize opportunity



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