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AHALIFE HOLDINGS LIMITED

Q4 Trading Update

July 2020

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Q4 2020 HIGHLIGHTS

Q4

vs.

Q3

**E-COMMERCE
SALES**

+85%

**WEBSITE
TRAFFIC**

+32%

**OPERATING
EXPENSES**

-24%

**EBITDA
IMPROVEMENT**

+25%

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Q4 2020 HIGHLIGHTS

Q4

vs.

Q3

AUDIENCE
(Design Milk)

+2.5%

CAC
(Customer Acquisition Cost)

-36%

AOV
(Average Order Value)

+5%

CONVERSION
(Design Milk)

+65%

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Sydney, Australia and Columbus, OH, USA
13th July 2020: Ahalife Holdings Limited (ASX: AHL)

Q4 Trading Update

Summary

- A strong close to the year with combined total Q4 e-commerce sales +85% vs. Q3
- Further cost reductions and operational efficiencies resulting in +25% EBITDA improvement
- Received Covid-19 stimulus funding of US \$220k
- Launched new media sales opportunities, such as Design Milk TV on Instagram
- Increased conversion (+65% improvement vs. Q3)
- Maintained advertising revenue despite Covid-19. Avoided material cancellations

Revenue

Strong sales growth across all three websites; Design Milk +93% vs. Q3, Aha +36%, and Kaufmann Mercantile recorded a very solid +199% net sales increase. Design Milk e-commerce launched late in Q2, growing month-over-month, now representing over 50% of our sales in Q4.

We grew our Q4 vendor base by +26% vs. Q3. This is a substantial increase, reflecting the team's effort and energy toward brand discovery. We are now over 1/3rd of our intended vendor target, giving us confidence in the opportunity to significantly grow our brand partnerships, e-commerce, and media sales over the coming months/years.

Our advertising and media revenue was impacted by Covid-19. Historically Q4 is a good quarter due to the numerous international design Trade shows we partner with. Whilst we didn't grow our advertising revenue in Q4 we did retain most of our scheduled advertising arrangements, limiting the negative fallout seen elsewhere.

Positively, due to our large audience of 8.4 million, and legitimate position within the design world, we have seen an increase in media enquiries for Fall 2020 and Spring 2021 and remain confident this revenue channel will bounce back.

Our combined Q4 e-commerce & media revenue growth was a positive +27% vs. Q3.

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Marketing

Our approach is to lead with content, engage with our large audience, understand their appetite for content led shopping, and develop the most efficient, frictionless communication channels for our community.

To date our growth has been organic, keeping our Customer Acquisition Costs (CAC) low. Our Q4 combined CAC dropped -36% vs. Q3 (now averaging \$17), whilst increasing our Average Order Value (AOV) +5% in the same period.

The Design Milk website has two customer acquisition channels, one via the editorial side of the website (editorial content that leads customers to the shop), a second via direct shop links (social media, email, and links that take customers directly to the shop side of the website).

Through refining our marketing practices the Design Milk Shop CAC dropped -41% in Q4 to \$12. Whilst our Design Milk Editorial CAC dropped -7% to \$0.02. This is a key metric that points to the future efficiency of our content led strategy and audience size.

Our audience, website traffic, and pageviews have all grown without the need for broad, expensive marketing campaigns. This is a positive reflection of our approach to combining content with e-commerce.

Continued audience growth and engagement further support our ability to drive additional advertising revenue.

As we continue to buildout our product assortment and learn our community's preferences, we will begin test-marketing through very targeted SEO and PR activities.

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Costs

Operating costs reduced -24% vs. Q3

As part of our ongoing efficiency drive and compounded by Covid-19 we accelerated plans to move the business to a full remote-team operation.

Since the acquisition of Design Milk approximately half our team work remotely, ensuring we cover design shows, trade events and product launches across the US and Internationally. In June we moved the entire team to a remote structure, further reducing our fixed costs and ensuring we are lean and agile go-forward.

The full benefit of these savings will be seen from Q1 FY21 onwards.

“While it was a difficult decision to begin a complete re-build of the AHL business, the board and management are pleased with what has been achieved in fiscal 2020, and the platforms we have developed to grow our sales and audiences.

We have reset our cost base to manage and expand our diversified revenue channels and remain agile toward exploring new e-commerce and media sales opportunities during this difficult time. As we prepare for the holiday season, we are confident of achieving breakeven this year, ensuring our cash position remains solid into 2021.”

Robert Mancini, C.E.O

END

For further inquiries regarding About Ahalife Holdings Limited (ASX: AHL) please contact:

Robert Mancini (CEO): +1 (855) 848 3886

Sapir Elias (Company Secretary): +61 (404) 445 383

Investor Relations: ir@ahalife.com

AHL owns and operates multiple e-Commerce websites that support independent brands and designers from around the world:

Design Milk, a world-renowned, award-winning digital media company that has thrived through the support of an engaged community of 8.4 million followers.

Ahalife, a premium eCommerce website and blog supporting designers and brands who produce female, urban, lifestyle products.

Kaufmann Mercantile, a blog and eCommerce website dedicated to independent craftsman and brands focused on sustainable manufacturing and product lifecycle.

For more information, please contact AHL Investor Relations.

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Rule 4.7B

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

AHALIFE HOLDINGS LIMITED

ABN

15 006 908 701

Quarter ended ("current quarter")

30-JUN-20

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (.....months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	400	1,529
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(257)	(841)
(c) advertising and marketing	(30)	(274)
(d) leased assets		
(e) staff costs	(274)	(1,318)
(f) administration and corporate costs	(75)	(527)
1.3 Dividends received (see note 3)		
1.4 Interest received		3
1.5 Interest and other costs of finance paid	(2)	(9)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(238)	(1,437)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		(500)
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		

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Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (.....months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) 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	Net cash from / (used in) investing activities	0	(500)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		1,794
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(34)	(80)
3.5	Proceeds from borrowings	229	455
3.6	Repayment of borrowings	(12)	(187)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	183	1,982

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	896	796
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(238)	(1,437)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		(500)

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Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (.....months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	183	1,982
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	841	841

5.	Reconciliation of cash and cash equivalents 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	834	523
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details) (In transit)	7	373
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	841	896

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$US'000**

0

0

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
219	219
219	219

7.5 **Unused financing facilities available at quarter end**

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

\$219K was achieved through the Covid-19 Payment Protection Program administered by the U.S. SBA. The "Loan" was entered into on 4/28/20. This note will mature in 2 years from the date of the Note at 1% per annum. This Note is subject to partial or full forgiveness, the terms of which are dictated by the SBA. Ahalife expects to achieve full forgiveness under the current requirements and is expected to apply and receive this forgiveness Q1 2021.

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(238)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	841
8.3 Unused finance facilities available at quarter end (Item 7.5)	
8.4 Total available funding (Item 8.2 + Item 8.3)	841
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.5

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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Appendix 4C Quarterly cash flow report for entities subject to Listing Rule 4.7B

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.

Date: July 13th 2020

Authorised by: By the Board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.