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AHALIFE HOLDINGS LIMITED

Q1 FY2021 Update

October 2020



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Q1 FY 2021 HIGHLIGHTS

Q1 2021 vs. Q1 2020

E-COMM SALES +1085%
(Design Milk only)

E-COMM SALES +111%
(Ahalife and Kaufmann only)

OPERATING EXPENSES -33%

EBITDA IMPROVEMENT +52%

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Q1 FY 2021 HIGHLIGHTS

Q1 2021 vs. Q4 2020

AUDIENCE
(Design Milk)

+2%

**WEBSITE
PAGEVIEWS**

+18%

**VENDOR
GROWTH**

+26%

AOV
(Average Order Value)

-1%

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AHALIFE HOLDINGS LIMITED

Sydney, Australia and Columbus, OH, USA
21st October 2020: Ahalife Holdings Limited (ASX: AHL)

Q1 FY2021 Update

Summary

- Q1 FY21 Design Milk e-Commerce sales grew +1,085% vs. Q1 FY20
- Q1 FY21 Ahalife + Kaufmann Mercantile e-Commerce sales grew +111% vs Q1 FY20
- Continued cost reductions in Q1 resulting in +52% EBITDA improvement vs. Q1 FY20, and +25% improvement vs. Q4 FY20
- Rebound of advertising and media revenue bookings looking into the holidays and beyond
- +26% growth of vendor onboarding, and the launch of our first product collaboration
- Cashflow breakeven with continued momentum forecast Q2/Q3 FY21

Revenue

Our Q1 AOV's and order volumes remained solid; the growth achieved is a pleasing result leading into the busy Q2 trading period. We avoided the heavy discounts and price matching usually seen in July and August, protecting our margins and strong vendor relations, resulting in our continued positive EBITDA momentum and vendor growth.

The management team is pleased with the health of the AHL Group marketplace businesses, with all three websites performing well and supporting our rebuild strategy.

Most importantly, Q1 is our first opportunity to look at the business on an annual basis since moving to our new platform. Ahalife and Kaufmann Mercantile platforms achieved a strong +111% sales increase, and Design Milk e-Commerce Q1 sales growth hit an impressive +1,085% due to expansion of our vendor base, and the continued platform and marketing improvements we've introduced over the past twelve months.

As we moved past the high discount periods of July and August, September closed as our 2nd best month since relaunching, and October is trending significantly higher.

Our advertising and media revenue has bounced back. Q1 was a solid improvement over H2 FY20, and we continue to see new partners book advertising and media programs. Looking forward, 4 of the next 6 months are already booked higher than LY Q2 and Q3.

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Marketing

In Q1 we completed the move to a new email provider, improving our customer engagement flexibility, introduced new SEO protocols, rebuilt the navigation and product organization on all three websites enabling better search results, and we continue to sensitively test how to optimize and link our editorial content with our three shops.

Our Customer Acquisition Costs (CAC) are considerably lower than last year. We anticipate a natural increase over the holidays, but we believe the long tail effect of this customer engagement will grow our return customer rates even higher.

Our audience, traffic, and pageviews all grew again in Q1. The original Design Milk Instagram channel hit 3.5 million followers in September. Combined our community is now over 9 million across all communication channels. Balancing e-Commerce, editorial content and media services whilst still successfully growing our audience is a positive reflection of how we are sensitively approaching the opportunities in front of us.

Operations

Year-over-Year operating costs reduced by -33%, combined with lower CAC and protected margins, resulting in a strong Q1 +52% EBITDA improvement.

Our monthly operating costs are predictable and efficient. Large non-operating audit and reporting related expenses impacted our Q1 cashflow. These will not be repeated this fiscal, and we have taken steps to reduce these costs in future years.

We continue to look at platform investments and customer experience enhancements, and overall we remain very happy with our structure and ability to scale without significant cost increases in future.

We have enjoyed growth across all 3 platforms. Proportionally Design Milk is growing faster, representing 60%+ of all orders in Q1, a considerable feat given the brief history of its e-Commerce business. Given the global recognition of the Design Milk brand, and as a reflection of our focus going forward, we intend to implement a change of name of our ASX listed entity to Design Milk Co. this year.

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“I am very pleased with the progress we’ve made in Q1. We pushed several expansion opportunities into Q3 in order to focus on preparing for an unpredictable holiday season, ensuring the foundational pillars of the business are solid and we can be agile depending on trading trends.

Our Q1 operational work revolved around the introduction or upgrade of behind-the-scenes marketing, communication and data apparatus. We are improving our understanding of how and what our customers are engaging with. We continue to discover new brands and grow our vendor portfolio. Positively, we have a long runway in this area, growing our product assortment links directly to our sales growth trajectory, so I’m excited we continue to discover so many new brands and categories.

With the growth of e-Commerce and our media-revenue bouncing back I remain confident of achieving breakeven this year. This will be a celebratory point for the business, reflecting the hard work and energy the team has put into the business over the past 18 months. I remain very grateful for their continued efforts and creativity.”

Robert Mancini, C.E.O

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.

END

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-SEPT-20

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (..3.....months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	365	365
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(195)	(195)
(c) advertising and marketing	(57)	(57)
(d) leased assets		
(e) staff costs	(341)	(341)
(f) administration and corporate costs	(111)	(111)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(3)	(3)
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	(341)	(341)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(2)	(2)
(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 (..3.....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	(2)	(2)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		
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		
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 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	837	837
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(341)	(341)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)

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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 (..3.....months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)		
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	494	494

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	473	830
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details) (In transit)	21	7
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	494	837

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
210	210
210	210

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)

(341)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

494

8.3 Unused finance facilities available at quarter end (Item 7.5)

8.4 Total available funding (Item 8.2 + Item 8.3)

494

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

1.4

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: Future cashflow will not mimic Q1, which contained higher cash outflows for audit and reporting payments. We have taken action to reduce these moving forward. Q1 also included our annual listing fees which will not be repeated in FY21. Lastly, with the busy holiday season in front of us, and the recovery of our media service sales we anticipate much higher cash inflows from Q2 onwards.

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: No. With our growing e-Commerce revenue and pre-booked media/advertising revenue we are confident of achieving breakeven in Q2/Q3.

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: Yes. As above, plus our existing solid cash position we are comfortable meeting our go-forward business objectives.

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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: 21st October 2020

Authorised 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.