ASX Announcement

eCargo delivers Group's first EBITDA profit in FY20

Highlights:

- **Revenue of HK$218.5 million [A$36.6 million], up 23% year-on-year;**
- **EBITDA of HK$7.6 million [A$1.3 million] (FY19: loss of HK$6.7 million);**
- **Non-cash operating expenses of HK$42 million [A$7.0 million], resulting in Net Loss After Tax of HK$39.5 million [A$6.6 million], improvement of 47% (FY19: Net Loss After Tax of HK$74.6 million);**
- **Strong growth in FMCG category, with both Online and Offline revenue up 103.5% and 31.0%, respectively.**

February 24, 2021 (SYDNEY): eCargo Holdings Limited (ASX: ECG) (ECG, eCargo or the Group) today announced its financial results for the year ending December 31, 2020, demonstrating a strong recovery in the second half of the year.

The results were primarily driven by the implementation of operational efficiencies and a focus on channel management to further leverage the growing consumer demand for online retail.

Group revenue grew by 23% to HK$218.5 million, and ECG, as a Group, achieved its first EBITDA profit of HK$7.6 million (FY19: loss of HK$6.7 million) since inception.

The FY20 statutory net loss of HK$39.5 million (FY19: net loss of HK$74.6 million) included a HK$33.5 million impairment of goodwill and intangible assets for FMCG and Amblique, fair value gain on contingent liabilities of HK$0.4 million, and depreciation and amortisation of HK$8.9 million.

Commenting on the FY20 results, eCargo's Chief Executive Officer Lawrence Lun said: "Despite a challenging year due to COVID, we were able to leverage the continued shift in Chinese consumer behaviour towards eCommerce and the need for brands to enhance their online presence. We delivered a strong final quarter, having created better synergies across key functions, and a renewed targeted approach to distribution trading and B2B eCommerce enabling business by being more selective on brands we engage with. With a number of changes in the second half of 2020, ECG's China business have now delivered a positive full year EBITDA. We are looking forward to building on this strong foundation in the coming year."

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FY20 delivered strong revenue growth and a positive EBITDA

	(HK$ million)	2020		2019	
		Revenue	*EBITDA*	*Revenue*	*EBITDA*
eCargo (China Franchise)	FMCG Online	62.5	6.0	30.7	(7.0)
	FMCG Offline*	52.8	(6.1)	40.3	(4.1)
	Sub-total	**115.3**	**(0.1)**	**71.0**	**(11.1)**
	eCommerce Enabling (Fashion & Lifestyle)	15.6	2.6	18.1	1.8
	ECG Total	**130.9**	**2.5**	**89.1**	**(9.3)**
amblique	Amblique	85.2	12.2	85.9	11.3
	Corporate Overhead	2.4	(7.1)	2.4	(8.7)
	TOTAL	**218.5**	**7.6**	**177.4**	**(6.7)**

***including share of results from a joint venture**

New distribution agreements underpin FMCG turnaround

The FMCG business was the major driver of revenue growth in FY20, benefitting from the full year contribution of Metcash Asia, acquired in February 2019, and an acceleration of sales in Q4. This division accounted for 53% of total Group revenue (FY19: 40%) with an EBITDA loss HK$0.1 million, a significant improvement on FY19 (FY19 EBITDA loss: HK$11.1 million).

The FMCG online business, relating to sales of FMCG products on eCommerce platforms including Alibaba's Tmall Global and JD.com, experienced robust revenue growth, up 104% to HK$62.5 million. Additionally, FMCG online delivered a solid positive EBITDA result of HK$6.0 million (FY19: loss of HK$7.0 million), underpinned by a recovery in the Metcash Asia business and Jessica's Suitcase during the second half of FY20.

The FMCG offline business also recovered strongly in H2, to be up 31% to HK$52.8 million over the course of FY20. The growth in revenue was primarily due to the increase demand from offline retail and associated B2B distribution channels across China.

Combined with changes in Q4 to drive operating cost efficiencies, which positively impacted EBITDA results for both the online and offline FMCG businesses.

The Vietnam joint venture, ABG, sold around 1.4 million units of infant formula during the year, generating revenue of HK$167.0 million (up 401%) and contributing HK$1.3 million to NPAT in FY20 (FY19: contribution of HK$478k), as a result of growing demand in the region. ECG plans to leverage this demand, as well as ABG's sourcing and distribution network to extend sales into other Asian markets in FY21.

Strong recovery of eCommerce-enabling business in H2

The eCommerce-enabling Fashion & Lifestyle business experienced a recovery in H2 FY20. While revenue was impacted by the loss of a customer and lower demand from consumers due to COVID early in the year, this was offset by improvement in sales in H2 from successful sales events in November and December; as well as better cost control in Q4.

The eCommerce-enabling business also benefited from strong sales growth across China's major online platforms that directly resulted from changes in consumer behaviour seen over the year. EBITDA increased 44% over FY19 due to shift in the sales mix towards higher margin beauty and cosmetic products, with EBITDA doubling each quarter throughout the year.

Australian Retailers' investments to online benefitted Amblique's performance

Amblique revenue dropped slightly to HK$85.2 million (FY19: HK$85.9 million) however EBITDA improved to HK$12.2 million (FY19: HK$11.3 million) due to better cost control and a recovery in projects in H2, as clients made investments to benefit from the shift in consumer spending towards eCommerce. While project delays impacted H1, multiple projects resumed in H2. The long-standing reseller agreement with Salesforce Commerce Cloud concluded in January 2021 and the Company expects this to impact EBITDA by approximately HK$11.9 million in FY21, however given the pipeline of new brands in the China FMCG and eCommerce Enabling divisions, it is anticipated this will offset the decline in Amblique.

Positive outlook for FY21

Commenting on the outlook for FY21, Mr. Lun said: "Following a recent reorganisation we implemented a number of strategic changes to establish eCargo as a leader in end-to-end distribution, eCommerce-enabling services, and trading platforms, specialising in cross-border product sales into mainland China."

"We believe proprietary technology will underpin our next stage of growth. Our new online B2B platform will help to accelerate the penetration of product into China by making it easier for international brands and retailers to connect with the country's vast retail market. The platform, JJX, is China's first online B2B Distribution Ecosystem Platform aimed at connecting overseas brands and local retailers and distributors, providing immediate access to over 2,000 point-of-sale locations offline, as well as all major online marketplaces across our partner network, both domestic and cross-border. We see substantial opportunities to leverage our JJX platform to accelerate growth."

"Over the course of the last financial year, Chinese consumer demand for international products continued to grow, with a notable increase of sales in health, beauty and personal care product categories. We have a strategic focus on enabling selected brands in these categories with the best potential to scale sales, and are well positioned to continue to grow in 2021, as we broaden our product and brand exclusivity portfolio."

"We also see huge opportunities to employ new technologies to further our growth onwards, in particular exploring new innovations in Supply-Chain IT Financing solutions."

"We now have the right structure, strategy, plans and team in place and are well positioned to grow in 2021 and beyond."

This ASX announcement was approved and authorized for release by the Board of Directors of eCargo.

Notes

The underlying financial statements supporting the figures in this announcement are prepared in Hong Kong Dollars (HK$) and all figures in Australian Dollars (A$) are for reference only. The exchange rate applied to translate HK$ into A$ is A$1.00=HK$ 5.9707, according to the rate published by the Reserve Bank of Australia as of December 31, 2020.

Adjusted EBITDA is defined as earnings before non-cash items such as interest, tax, depreciation, amortization, share of results of a joint venture, impairment provision for interest in goodwill, and impact of foreign exchange.

About eCargo Holdings Limited

eCargo Holdings Limited is an ASX-listed company specialising in sales and marketing strategy, execution and distribution in China. eCargo's broad range of capabilities cover logistics and fulfilment, eCommerce management and operations, Online to Offline (O2O) distribution and wholesale, as well as strategic advice.

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