

BIKEEXCHANGE (ASX: BEX) QUARTERLY APPENDIX 4C AND ACTIVITY REPORT

29 July 2022

Melbourne, Australia - BikeExchange Limited (ASX: BEX) ('BikeExchange'), a leading global operator of online cycling marketplaces, announced today its Appendix 4C and activity report for the June 2022 quarter (Q4) and the 12 months to 30 June 2022 (FY2022).

Key Highlights

- 41% increase in lookthrough revenue to \$6.8m (FY21: \$4.8m) driven by contribution of Kitzuma and Colombia acquisitions, as well as a 15% increase in the BEX core business.
- Successfully raised \$6.5 million from institutional and retail investors to support our operations during FY23.
- Organisational restructure and implementation of strategies to deliver annualised cost savings of over \$5.5m in FY23, setting a strong foundation for a pathway to profitability during FY24.

KEY METRICS	Q4 FY22 v Q4 FY21	FY22 vs FY21
Lookthrough* total transaction value (TTV)	Up 15% to \$9.2m	Up 22% to \$31.0m
Lookthrough* revenue	Up 67% to \$2.2m	Up 41% to \$6.8m
• Lookthrough* subscription revenue	Up 15% to \$0.7m	Up 18% to \$2.5m
• Lookthrough* e-Commerce commissions revenue	Up 7% to \$0.6m	Up 9% to \$2.0m
Transaction volumes	Down 10% to 7,844	Up 1% to 33,940
Average order value	Up 8% to \$927	Up 18% to \$749
Total active retail accounts	Down 1% to 1,585	Down 1% to 1,585
Average commission rates	Up 0.1% to 8.1%	Up 0.2% to 7.7%

* Lookthrough Total Transaction Value and Revenue includes 50% of BikeExchange Colombia's TTV up to 2 March 2022, and 100% from then on.

Commenting on the performance, Acting CEO Sam Salter said:

"We finished the 2022 financial year on a positive note, recording robust growth in revenue from our existing operations, bolstered by a full three months contribution from our newly acquired Kitzuma business in North America and the remaining 50% of BikeExchange Colombia we did not already own. Overall, lookthrough revenues increased by 67% in Q4 FY22 on pcp.

"Sellers continue to value BikeExchange's services, demonstrated through an expanding seller network, increased average order value and higher average commission rates. This supported a 22% increase in lookthrough TTV for FY22 compared with FY21.

"We have been working hard to help our retailers expand e-Commerce sales. This involves a program to transition legacy sellers from the current subscription only model, where retailers pay a monthly fee to use the BikeExchange platform to publish and sell their product inventories, to a fully e-Commerce enabled model whereby transactions are completed by consumers entirely online. The e-Commerce first model reduces friction for consumers and drives sales for retailers by leveraging the power of the BikeExchange marketplace.

"Our operations in the EU delivered a solid quarter with improvement in all key e-Commerce metrics and 18% e-Commerce transaction value growth. North America benefited from the integration of the Kitzuma operations with increased proportions of bikes being sold increasing Average Order Value. In a weaker seasonal quarter, revenue in Australia grew 16% on pcp. The recently acquired Colombian business performed well and is expected to show accelerating growth as payment platform issues are resolved in Q1 FY23.

"Kitzuma recorded its best ever sales month in June, with nearly 800 shipments in the month on the back of strong customer take up of its ready-to-ride bike shipment service. The integration of Kitzuma is now largely complete and with a new warehouse in Salt Lake City to cater for growing demand, we remain positive about the potential of this business' growth trajectory and its impact on BikeExchange's North American operations.

"Our successful \$6.5 million capital raising during the quarter highlights the support of our investors, their belief in our long-term vision and BikeExchange's value in the cycling ecosystem. It is pleasing to see we have some new investors joining the stable of existing investors, as well as strong take-up of the entitlement offer from our key management personnel, creating close alignment between performance and business success.

"We are pleased to have appointed Dominic O'Hanlon as Non-Executive Director in June 2022. Mr O'Hanlon is an experienced technology entrepreneur and professional director with 30 years of experience and we are excited to have his support as we hone our go-to-market strategy.

"While we focus on revenue growth, we have also made rapid progress on creating a more appropriate operational and cost structure for our business. We have made strong progress on replicating the successful EU model into other regions. The combination of revenue growth and cost efficiencies puts us in a better position to achieve profitability during FY24."

Q4'22 Update & Regional Performance Highlights

- Europe (EU), BikeExchange's largest region, continues to perform well in the current climate with 17% TTV growth for Q4 FY22 vs pcp.
 - May was the strongest ever e-commerce transaction value month on record with continued demand for bikes increasing Average Order Value in the quarter by 14% on pcp.
- North America (NA) delivered 37% TTV growth in the quarter and a 305% revenue increase in Q4 FY22, driven by the addition of Kitzuma revenue.
 - e-commerce trading improved with strong commission rates achieved and Average Order Volume (AOV) increasing 41% on pcp in the quarter to \$1,313 with more bikes being sold.
 - Kitzuma delivered record shipments in June with 26% month-on-month growth.
 - Annualised shipment run rate based on Q4 FY22 is equivalent to over 8,000 annual shipments.
 - Demonstrating positive impacts from brand partnerships on e-Commerce of bikes in BikeExchange NA business.
- Australia (AU) recorded a 19% decline in TTV vs pcp in a weaker seasonal quarter but revenue increased by 16% on pcp.
 - Revenue increase reflected stronger commission rates, subscription revenues up 10% on pcp and a small contribution from the sale of owned stock.
- Colombia recorded lookthrough TTV up 36% for Q4 FY22 reflecting the full first quarter of ownership of 100% of the Colombian operations.
 - Underlying e-Commerce was hampered by stock availability issues and payment gateway problems, with a new payment gateway provider alleviating the issue in Q1 FY23.
- Q4 website traffic globally is down by 27% vs pcp as post Covid traffic normalises to prior levels. This is countered by e-commerce traffic conversion increasing to 0.18% for Q4 FY22 (FY21: 0.14%), driven mainly by stock availability, implementation of customer experience improvements and performance marketing.

- While Group transaction volumes for Q4 FY22 are down on pcp, AOV is up 10% to \$927 globally, driven by the focus on bikes.

QUARTERLY CASHFLOW REPORT

Cash receipts from customers (inclusive of taxes) of \$12,509k in the quarter were up 24% on Q3 FY22 and represented 143% of Total Transaction Value, slightly up on 132% in Q3 FY22. This reflects positive working capital inflows on the seasonally higher period for European e-Commerce and Kitzuma, and the inclusion of Colombia for a full quarter.

Product Manufacturing and Operating cash outflows (payments to retailers for fulfilment of completed e-Commerce orders and Kitzuma's costs of sale) were \$11,982k in the quarter, up 52% from Q3 FY22 principally reflecting the seasonality of gross e-Commerce transaction value and Kitzuma in Q4 in the northern hemisphere summer. Overall, net e-Commerce related cash movements reflected an adverse movement in working capital in the quarter as the summer seasonal uplift reduced in June.

Payments for staff costs were \$2,610k for the quarter, up 1% on Q3 FY22 reflecting the addition of Colombia employees for a full quarter in Q3 FY22 and non-recurring restructuring costs incurred, partly offset by reduced overall employment costs post restructuring.

Administration and corporate cash costs were \$1,801k for the quarter, down 7% on Q3 FY22 reflecting the inclusion of Colombia overheads for a full quarter, the timing of technology and other corporate cost payments, and reductions in non-recurring M&A related costs for the acquisitions of Kitzuma and Colombian business incurred in Q3.

Share capital raised \$5,183k in the quarter, with an additional \$1.1m net of costs being received post balance sheet in July 2022.

Payments to related parties and their associates during the quarter totalled \$467k, comprising Directors' fees and expenses as well as Key Management Personnel's base remuneration for Q4 FY22. Also included were payments to Marketplacer Pty Ltd under the business services agreements to provide the platform services for the Group's network of marketplaces.

BikeExchange has a cash and equivalents balance of \$4.9 million as at 30 June 2022.

The Group expects reduced operating cash outflows for the September quarter, after accounting for significant one-time restructuring costs. The Group expects the programme of growth initiatives and cost efficiencies will further reduce operating cash

outflows over FY23 and the Group is planning to have sufficient cash reserves to continue its operations and meet business objectives for FY23.

USE OF FUNDS STATEMENT

Uses of funds	Total use of funds included in BEX prospectus (\$'000)	Expenditure in Q4 FY22 (\$'000)	Total expenditure post admission to the ASX (\$'000)
Brand and customer acquisition marketing	6,000	812	2,933
Working capital	5,000	789	4,204
Product development and technology	3,000	27	2,252
Investment in resources to scale the business	3,000	1,237	3,856
Costs of the offer and listing	3,000	-	2,943
Total	20,000	2,865	16,188

Outlook

During FY23, we will remain focused on our four strategic pillars:

- 1. EU model replication:** The success of BikeExchange's e-Commerce first model in the EU has been demonstrated over the last two years across all seasons. We will continue to work with retailers to convert enquiry-only leads to transactions. The European team has largely centralised the operations for the Group improving quality, consistency and reducing duplication of activities across the Group.
- 2. Integrate Kitzuma into operations to drive growth:** Further integrate the Kitzuma team into BikeExchange North America and focus on the same brand, seller and merchant accounts to achieve synergies, drive e-Commerce transactions and ready to ride delivery volumes. With nearly 800 shipments per month in June 2022, up 26% month on month, we expect to significantly improve gross margin in H1 FY23.

3. Reducing operating costs reduction & implementing e-Commerce operating

model: Centralisation of skills and team around functional areas is largely complete, lowering the operational cost foundation for FY23 to a more appropriate level.

The Group is implementing a programme of growth initiatives and cost efficiencies as announced during Q4 FY22 and this is expected to significantly reduce net operating cashflows progressively over FY23. In particular:

- Kitsuma is expected to improve profitability as the business scales;
- The Board of Directors will move to receiving a majority of remuneration in shares (subject to shareholder approval) and the Executive team to take 25% of base remuneration in shares.
- Marketing spend is being reduced, with a clear focus on only marketing channels that will contribute a positive margin. Other Group overheads and discretionary spend are being scaled back in line with leaner overall Group operations.
- E-commerce gross margins are expected to improve on enhanced commission rates and lower variable transaction related costs.

4. Activate more strategic partnerships to support e-Commerce strategy: Advance active and progressed discussions across industry and strategic partnerships with potential capital, with a view to finalise in the near term.

Commenting on the outlook, Acting CEO Sam Salter said: "Trading for the first four weeks of FY23 has been solid with e-Commerce trading above June 2022 and July 2021 as consumer take-up and growth in mass market cycling continues.

"Positively, we are seeing the supply chain challenges experienced over the last 18 months ease and bike retailers are now looking for more avenues to market to move inventory. Given BikeExchange's first-mover advantage, presence in four markets, leading technology and deep customer relationships, we are well positioned to connect retailers with customers.

"Our focus during FY23 will be on maintaining a streamlined cost base while growing revenues steadily by improving the customer experience to convert enquiries into sales. Our recent capital raising and sensible organisational structure gives us confidence for a positive year ahead and we remain optimistic about our ability to achieve profitability during FY24."

This announcement has been authorised for release by the BikeExchange Board.

- **Ends** -

INVESTOR CALL:

The company will hold a brief conference call for investors at 10.30am Melbourne time on Friday 29 July 2022.

To register for the Zoom meeting, please use this link:

https://us06web.zoom.us/join/tZUpf-6hrzMtGgw0Q_SyPTA2kf8TCx5gW61n

After registering, you will receive a confirmation email containing information about joining the meeting.

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ABOUT BIKEEXCHANGE

BikeExchange Limited (ASX: BEX) is a leading operator of global online cycling focussed marketplaces that enable a dedicated and growing global audience of consumers to connect and transact with thousands of retailers and brands. The Company was founded in Melbourne in 2007, with the aim of bringing together the fragmented global cycling industry to trade and scale. Today, it hosts over 1500 brands, 1600+ retailers and 900,000+ products globally, with an annual audience of 21+ million consumers.

Appendix 4C

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

Name of entity

BikeExchange Ltd

ABN

24 625 305 240

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		12,509	39,592
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(11,982)	(34,659)
(c) advertising and marketing		(811)	(2,625)
(d) leased assets		-	-
(e) staff costs		(2,610)	(9,210)
(f) administration and corporate costs		(1,801)	(6,204)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		2	10
1.5 Interest and other costs of finance paid		(12)	(23)
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		(4,705)	(13,119)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		-	(1,747)
(b) businesses		-	-
(c) property, plant and equipment		(57)	(143)
(d) investments		-	-
(e) intellectual property		-	-
(f) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'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	-	(1,173)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	21	81
2.6	Net cash from / (used in) investing activities	(36)	(2,982)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,183	5,183
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	(9)	(9)
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)	(236)	(399)
3.10	Net cash from / (used in) financing activities	4,938	4,775

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,312	15,925
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,705)	(13,119)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(36)	(2,982)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,938	4,775
4.5	Effect of movement in exchange rates on cash held	380	290
4.6	Cash and cash equivalents at end of period	4,889	4,889

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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,889	4,312
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,889	4,312

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	467
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
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.		
N/A		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(4,705)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,889
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,889
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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?	
<p>Answer: No.</p> <p>Quarter 4 has a higher level of operating cashflow payments to suppliers reflecting seasonal e-commerce transaction volume in the Group's European operations and upcoming quarters will see more normalised working capital. Additionally, there were a number of non-recurring restructuring cost cashflows incurred in Q4 FY22.</p> <p>The Group is implementing a programme of growth initiatives and cost efficiencies as announced during Q4 FY22 and this is expected to significantly reduce net operating cashflows progressively over FY23.</p>	

8.6.2 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: Yes.

Additional capital of \$1.2 million was receipted in July 2022 (net of costs) representing the completion of the announced capital raise and shortfall process. An additional \$500k of capital from a director is committed pending shareholder approval of the share issuance.

Together, this gives a proforma net cash balance at 30 June 2022 of \$6.5 million, including the post balance sheet capital receipts (net of costs).

The company continues to progress discussions with a number of convertible note and debt providers to provide additional capital to the business.

8.6.3 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.

The Company expects to be able to continue its operations and meet business objectives on the basis of the:

- further capital raised and being pursued as outlined in 8.6.2, and
- expected significant improvement in net operating cash flows as a result of the growth initiatives and cost efficiencies outlined in the quarterly commentary attached to this release.

The Group forecasts reduced operating cash outflows for the September quarter, after accounting for significant one-time restructuring costs. The Group expects the programme of growth initiatives and cost efficiencies will further reduce operating cash outflows over FY23 and the Group is planning to have sufficient cash reserves to continue its operations and meet business objectives for FY23.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 29 July 2022

Authorised by: By the Board

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.