

eCargo delivers strong underlying profit growth

Foundations now in place to drive profitable growth

30 August, 2022 (SYDNEY): eCargo Holdings Limited (ASX: ECG) (ECG, eCargo or the Group) today announced its interim financial results for the six months ended 30 June 2022 (1H FY22).

Results Overview¹:

- Statutory NPAT of HK\$24.7 million, including profit from Amblique of HK\$23.3 million; Underlying NPAT² of HK\$1.4 million (1H FY21: loss of HK\$8.4 million)
- Revenue from continuing operations² of HK\$46.8 million, down 7% despite 3 months of lockdowns in China
- Strong improvement in Gross Margin from continuing operations to 39% (1H21: 31%), due to sustained focus on higher margin products, exclusive distribution agreements with in-demand brands and growth in B2B platform JuJiaXuan (JJX)
- Underlying EBITDA² of HK\$3.6 million, reflective of profitable business model (1H FY21: loss of HK\$3.9 million)
- Strong balance sheet following divestment of Amblique provides flexibility to pursue growth opportunities

Commenting on the results, eCargo Chief Executive Officer Lawrence Lun said: "Over the half we delivered very strong results from our continuing operations, having refined our business portfolio with the sale of the Amblique business. We adhered to our strategy of partnering with brands that have strong growth potential in China, with our exclusive deals with brands underpinning the strong results from our continuing operations.

"While we were impacted by 3 months of lockdowns in China, which inhibited our ability to leverage our offline distribution network, we still delivered an underlying profit even when we exclude profit from the Amblique divestment. The turnaround in underlying profitability comes as we evolve our business to have less inventory risk over time, with more revenue generated from sales commissions.



"Having launched our B2B platform JJX and B2C online fine wine sales platform PJF Wines in FY21, we witnessed strong growth throughout the half, with both platforms recording month on month sales growth that exceeded 40%. We expect to see sales from our new technology platforms continue to ramp up in the coming months, underpinning growth in revenue in the second half."

¹ All percentage changes are based on HK\$ change from prior corresponding period (pcp)

² Excludes Amblique business which was sold during the period

Financial and Operational Overview

Despite Group revenue declining 7% to HK\$46.8 million (1H FY21: HK\$50.5 million), the Group's Gross Profit grew by 16% to HK\$18.1 million (1H FY21: HK\$15.5 million), demonstrating a healthier and more scalable business. FMCG revenue declined to HK\$39.0 million (H1 FY21: HK\$43.8 million) due to the impact of three months of lockdowns in China, which impeded the ability to sell products through offline channels. The eCommerce Enabling business experienced strong growth in revenue of 25%, driven by new customer growth and a resilient performance from underlying brands during a challenging period.

(HK\$ million)		1H22		1H21 (Restated)	
		Revenue	EBITDA	Revenue	EBITDA
	FMCG Online	35.2	3.8	31.7	3.2
	FMCG Offline*	3.8	(0.9)	12.1	(2.9)
	FMCG Total	39.0	2.9	43.8	0.3
	eCommerce enabling (Fashion & Lifestyle)	6.6	3.5	5.3	1.5
	Corporate overhead	1.2	(2.8)	1.4	(5.7)
		46.8	3.6	50.5	(3.9)
	Amblique	13.8	23.3	36.8	3.4

The 1H FY22 statutory EBITDA of HK\$26.9 million included a one-off profit of HK\$23.3 million from the discontinued operation of Amblique, while EBITDA from continuing operations was HK\$3.6 million, a substantial improvement on the HK\$3.9 million loss in the prior corresponding period. The operating results demonstrate the resilience of eCargo's business model during a challenging period where China was in a sustained lockdown for three months. The product mix has continued to evolve to have a greater focus on exclusive brand partnerships, in-demand and high margin products categories, and technology platform sales commissions.

Positive outlook for 2H FY22

Commenting on eCargo's outlook, Mr. Lun said: "Having positioned the business to focus on high growth product categories of personal care, beauty and cosmetics, mum and baby, and health and wellness, we are well placed to continue to grow throughout the second half of FY22 and beyond. With China largely emerging from lockdowns, we will be able to better leverage our offline distribution network and expect to see a resumption in growth from our offline Trading & Distribution business in 2H.

"The sale of Amblique ensures that our portfolio is completely focused on the high growth Asian market and the funds raised will allow us to execute on our growth strategy. We have identified several targets that we are undertaking due diligence on, with a view of making equity investments in brands and service providers with very strong international growth prospects. We will also be enhancing our Australian business development presence to ensure we can capture the opportunities available.

"We expect our JJX and PJF Wines eCommerce platforms to continue to rapidly grow in H2, and we will be investing part of the Amblique sales proceeds into enhancing the platforms, based on feedback from both clients and merchants. Funds will also be reinvested into new platform technologies that we'll be launching in the later part of this year that will enhance our ecosystem.

"Now that we have returned to more normal trading conditions in China, we look forward to delivering strong growth from our continuing operations throughout the remainder of FY22, leveraging exclusive distribution partnerships and our new technology platforms, which are making cross-border trade more efficient for our customers."

This announcement is approved by the Board of Directors of eCargo.

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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\$5.4058, according to the rate published by the Reserve Bank of Australia as of 30 June, 2022.

EBITDA is defined as earnings before non-cash items such as interest, tax, depreciation, amortisation, share of results of a joint venture, and impact of foreign exchange (including profit from discontinued operation).

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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