

eCargo delivers strong revenue and NPAT growth

Increased transaction volume through B2B eCommerce platform

29 August, 2023 (SYDNEY): eCargo Holdings Limited (ASX: ECG) (ECG, eCargo or the Group) today announced its interim financial results for the six months ended 30 June 2023 (1H FY23).

1H FY23 Results Overview¹:

- Revenue from continuing operations² of HK\$67.5 million (A\$12.9 million), up 44.4%, (1H FY22: HK\$46.8 million)
- Gross Margin down to 31% (1H FY22: 39%) as a result of offering discounts on products to enhance sell-through rate due to the more challenging market conditions in China
- Operating expenses up 12%, primarily due to elevated marketing costs, stemming from introducing new brands to the Chinese market and the launch of two innovative platforms: Flow, a B2B eCommerce platform, and Hype, a microinfluencer platform
- Net Profit from continuing operations of HK\$2.2 million (A\$0.42 million) increased 64.3% (1H FY22: HK\$1.4 million), driven by revenue growth
- The Group is transitioning its core focus from B2C eCommerce to B2B eCommerce to focus on a longer value chain and capitalise on the lucrative potential within the B2B ecosystem

Commenting on the results, eCargo Chief Executive Officer Lawrence Lun said:

"We were able to drive revenue and net profit growth in our business against the challenging backdrop of a tough Chinese market where consumer demand growth has not returned to pre-pandemic levels, compounded with a weakening Renminbi. We benefitted from our company strategy of shifting focus from B2C eCommerce to B2B eCommerce, as international trade became more complex. This transition has been a year-long endeavour, and I am pleased to share that we have not only navigated through these challenges, but we have also prospered.

"Our proprietary B2B eCommerce platform, Flow, saw a tremendous increase in sales, providing support to brands and retailers engaged in international trading within the Asian market through supply chain, buyer and supplier management, and credit management solution provision. This success underscores the essential role of Flow in

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

² Excluding Amblique business which was sold during the period

a market grappling with supply chain disturbances, geopolitical tensions, and continuous changes in import regulations.

“We also launched Hype, a digital platform connecting brands with microinfluencers across Asia. This technology development is in harmony with our overarching mission to help brands sell more. While microinfluencers play a pivotal role in driving brands’ visibility and building trust with the local demographic in this digital era, we help brands take it a step further by leveraging our supply chain capabilities to drive eCommerce sales through partnering with microinfluencers.

“These factors led to a noticeable growth in all segments of our business, including profitability, despite making the strategic decision to invest in marketing our B2B eCommerce offering in the half, which we expect to drive continued growth going forward.”

Financial and Operational Overview

Group revenue increased 44.4% to HK\$67.5 million (1H FY22: HK\$46.8 million), driven by increased trade volume through eCargo’s B2B platform, Flow.

Overall Brand Distribution revenue grew by 45.6% as we saw Flow adding value to buyers in China sourcing from overseas, especially in Baby and Mum, Personal Care and Beauty categories. The entry into the Semiconductor space last year also contributed to the higher growth in sales, on the back of government support to boost China’s domestic capabilities in manufacturing these goods to the global standard.

Overall Gross Profit increased to HK\$20.9 million (1H FY22: HK\$18.1 million), but Gross Profit Margin fell to 31% (1H FY22: 39%) primarily due to two main factors: first, the shift to a greater weighting of sales through the B2B platform, Flow, where margins are generally lower, and second, discounts on products were utilised to maintain target sell-through rates, while countering weakening consumer demand.

Operating expenses rose by 12%, driven predominantly by higher marketing spending due to new brand introductions, expanded rebate offerings, and the launch of our proprietary platforms. As a result, this generated a lower EBITDA compared to the same period last year.

(HK\$ million)	1H23		1H22	
	<i>Revenue</i>	<i>EBITDA</i>	<i>Revenue</i>	<i>EBITDA</i>
Online Brand Distribution	46.8	2.4	35.2	3.6
Offline Brand Distribution	10.0	(0.5)	3.8	(0.9)
Brand Distribution Subtotal	56.8	1.9	39.0	2.7
Digital Commerce Services	10.7	5.2	7.8	4.5
Corporate Overhead	-	(3.9)	-	(3.6)
	67.5	3.2	46.8	3.6

The operating results demonstrate the resilience and agility of eCargo’s business model during a challenging period where China experienced a slower than expected economic recovery.

The product mix continued to evolve with a greater focus on supporting brands and retailers with trading into multiple Asian markets, on in-demand and high margin products categories, and on technology platform sales commissions.

Outlook for 2H FY23

Commenting on eCargo’s outlook, Mr. Lun said: “We enter the second half of FY23 with a stronger focus on eCargo’s B2B platform, where we expect to see continued growth. Our ability to provide brands and retailers with an end-to-end solution across supply chain, buyer and supplier management, and credit management solutions, is strongly appealing to our customers aiming to access the vast Asian market.

“The categories and brands we are weighted towards are forecast to remain in strong demand from Chinese consumers who are wanting high-quality imported products in specific categories. In addition, we expect to see the ongoing recovery in the Chinese economy, which will be aided by governmental support.

“We remain cautious for the rest of the year, as we navigate ahead with our strong financial position and cutting-edge technology. Our approach will prioritise opportunities and partnerships that align with our long-term growth objectives, ensuring that each step we take contributes to adding value for our shareholders.”

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\$5.1951, according to the rate published by the Reserve Bank of Australia as of 30 June, 2023.

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.

About eCargo Holdings Limited

eCargo Holdings Limited is an ASX-listed supply chain company helping brands expand and sell more in the Asia market, with a specific focus on China. eCargo's one stop solution covers logistics and fulfilment, eCommerce management and operations, Online to Offline distribution and wholesale. Trusted by brands across different categories, eCargo builds an agile, digitalised, and integrated supply chain infrastructure to drive operational efficiency for brands, and to deliver omnichannel growth in new markets.

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