

eCargo Releases Full Year 2023 Financial Results

Delivering successful B2B strategy and record revenue growth

29 February 2024 (SYDNEY): eCargo Holdings Limited (ASX: ECG) (ECG, eCargo or the Group) today announced its financial results for the 12 months ended 31 December 2023 (FY23).

FY23 Results Highlights:

	Year ended 31 December 2023 (HK\$'000)	Year ended 31 December 2022 (HK\$'000)	Increase (HK\$'000)	% Change
Revenue	188,201	125,399	62,802	50%
Gross Profit	46,431	40,409	6,022	15%
EBITDA	9,157	8,001	1,156	14%
Net Profit	4,741	4,716	25	5%

- Achieved record revenue of HK\$188.2 million, a 50% increase, driven by the success of eCargo's B2B supply chain platform, Flow
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of HK\$9.2 million, up 14%, reflecting improved efficiency in the business driven by proprietary supply chain technology
- Statutory NPAT up 5% to HK\$4.74 million (FY22: HK\$4.72 million)
- Well-positioned to continue connecting in-demand brands with Chinese consumers, through a comprehensive omnichannel strategy, expansive distribution network and efficient end-to-end supply chain solution
- Strong balance sheet in place to self-fund operations and further grow profitability

Commenting on the FY23 results, eCargo Chief Executive Officer Lawrence Lun said: "We are pleased to share that our transition from B2C to B2B business in 2022 has played a key role in achieving another successful year, withstanding ongoing supply chain disruptions and a slower-than-expected recovery in China.

"Sales on our B2B supply chain platform, Flow, saw significant growth as Small and Medium Enterprise customers seek support in navigating international trade, specifically

in sourcing and distribution of products into China. This is crucial due to the evolving import regulations, currency fluctuations, longer sell-through periods and the need for channel expansion - all areas where eCargo excel in supporting clients.

“We are pleased to sign on new reputable clients such as Nestlé. We also explored and established new collaboration models with China’s eCommerce platforms such as VIPShop, Tmall, JD, and Omall, where we support their product sourcing.”

Financial Review

The Group’s revenue increased by 50%, primarily driven by B2B sales within the Online Distribution segment. This growth is attributed to the acquisition of new customers and substantially larger transaction sizes through Flow, particularly in the personal care, food and beverage, and semiconductor categories.

Whilst revenue from Online Distribution grew by 79%, EBITDA experienced a more modest increase of 9%. This was influenced by narrowed sales margins resulting from the need to implement discounts to uphold an optimal sell-through rate. Additionally, the moderate EBITDA growth can be attributed to investments in marketing, IT development for Flow, and access to data platforms as part of our commitment to enhancing the Group’s technology and services, even at the cost of immediate profitability.

Offline Distribution revenue declined, due to the Group’s strategic shift towards online B2B sales, specifically shifting away from investing in product categories for offline general trade channels to focus on cross-border eCommerce opportunities. The Group foresees Offline Distribution will remain a small contributor to the Group’s overall revenue in 2024.

The Digital Commerce Services segment, encompassing platform commissions and service fees for marketing, operations, logistics and fulfillment for brand principals, maintains strong momentum. The 13% growth, reaching HK\$28.9 million (FY22: HK\$25.6 million), is driven by increased marketing service fees from brand principals to raise awareness, commissions generated from successful live-streaming for brand principals, and a rise in service commissions from Flow’s new clients and transactions.

(HK\$ million)	FY23		FY22	
	Revenue	EBITDA	Revenue	EBITDA
Online Distribution*	149.1	4.7	83.4	4.3
Offline Distribution*	10.2	(3.0)	16.4	(4.1)
Sub-total	159.3	1.7	99.8	0.2
Digital Commerce Services	28.9	16.6	25.6	16.2
Corporate Overhead	-	(9.1)	-	(8.4)
Total	188.2	9.2	125.4	8.0

* Previously referred to as Trading & Distribution.

Identifying resilient product categories for double-digit growth

In FY23, shifting market conditions in China, characterised by a devaluation of the Renminbi, a trend of heightened consumer selectivity in purchasing decisions, combined with an increasing interest in domestically-produced goods, have contributed to a slowdown in the sales of numerous international brands across different categories. The Group has identified resilient product categories in China. Recognising the steady performance of niche brands in the competitive landscape of personal care, food and beverage, maternal and baby, and beauty sectors, the group will continue to collaborate with niche brands within these segments.

In the beauty and personal care sectors, we saw double digit growth in online sales for our brands through channel expansion on eCommerce platforms such as Douyin and Kuaishou. Brands in our food and beverage and maternal and baby categories experienced a slight decline in sales due to the rise of domestic brands. However, our online sales continued to outperform the category average, demonstrating our competitive edge in navigating market dynamics.

eCargo's strategy in 2024 is to actively form new partnerships with established niche brands in high-demand sectors in China, expanding their growth through a comprehensive omnichannel strategy, efficient end-to-end supply chain solutions, an expansive distribution network, and marketing services.

Flow – Technology-enabled growth

The Group's proprietary B2B supply chain platform, Flow, was developed as a solution to facilitate international trade into China and Southeast Asia. It addresses challenges such as language barriers, supply chain disruptions, regulatory differences in importation rules, currency fluctuations, and the need to build trust between buyers and sellers.

New enhancements were rolled out in 2023 to improve the user experience for buyers and sellers, which includes:

- A streamlined onboarding journey for buyers and suppliers to register efficiently
- A user-friendly interface for seamless trade and order management
- Third-party integrations that enable logistics and trade data-tracking
- Decision-making modules to support trade approvals

As a result of the platform enhancements, Flow has facilitated over 80 B2B transactions, with an average transaction value of US\$150,000.

The scaling of Flow has enabled eCargo to sign on Nestlé to become the exclusive distributor in their Coffee and Ready-to-drink Beverage categories, which includes Nescafé and Starbucks, and manage their supply chain through Flow. Nestlé was able to leverage eCargo's extensive sub-distribution network integrated on Flow to efficiently distribute throughout China.

Outlook and focus in 2024

Commenting on eCargo’s outlook, Mr. Lun said: “B2B transactions are more complex than B2C due to the intricate operations, the involvement of multiple parties for coordination, and larger transaction size. Our objective is to digitalise B2B transactions to make it easier for buyers and sellers to conduct international trade. Our value is more than just facilitating a trade for our customers but utilising the Group’s experience over the last 10 years to help our customers grow their sales in an accelerated manner by enhancing efficiencies across logistics, operations, and distribution.

“We will continue to focus on and allocate resources to eCargo’s B2B platform, Flow, to improve its capability, scalability, and user experience; combined with the fundraising completed in January 2024, that will allow us to onboard more customers, handle larger trade transactions and enter new markets, particularly in Southeast Asia.

“We expect the China market to continue undergoing a slow recovery, and the Group will remain cautious on the brands and products we add to our portfolio for the market.”

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

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Notes

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 (“eCargo”) is an ASX-listed supply chain solutions provider helping brands expand in the Asia market, with a specific focus on China. eCargo’s one stop service covers logistics, eCommerce, online to offline distribution, and B2B supply chain solutions. Trusted by brands across different categories, eCargo builds an agile, digitalised, and integrated supply chain infrastructure to drive operational efficiency for brands to deliver omnichannel growth in new markets.

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