

ASX ANNOUNCEMENT

18 August 2017

Kogan.com delivers strong FY17 result

HIGHLIGHTS

- Significantly outperformed Prospectus forecast on all key metrics
- Revenue of \$289.5 million, up 37.1% on prior year (FY16: \$211.2 million) and up 20.0% on Prospectus forecasts
- Pro Forma¹ EBITDA of \$13.2 million, up 230.0% on prior year (FY16: \$4.0 million) and up 91.3% on Prospectus forecasts, reflecting revenue growth and margin expansion
- Pro Forma¹ NPAT of \$7.2 million, up 800.0% on prior year (FY16: \$0.8 million) and up 188.0% on Prospectus forecasts
- Statutory revenue and NPAT of \$289.5 million and \$3.7 million, respectively
- Growth in active customer base to 955,000, up 36.0% from 30 June 2016, driven by growth in the Kogan Portfolio and strategic marketing initiatives
- Gross margin of 17.9% (FY16:15.5%) due to product sales mix and new verticals
- Strong balance sheet with net cash of \$32.0 million, Pro Forma¹ operating cash flow before capital expenditure of \$10.8 million and operating cash conversion of 81.8%
- Fully franked final dividend of 3.80 cents per share, bringing total dividends in respect of FY17 to 7.70 cents per share, reflecting the outperformance of the business and the Directors' confidence in Kogan.com's long term strategy

Kogan.com Limited (Kogan.com; ASX:KGN) today announced financial results for the full year ended 30 June 2017 (FY17), the Company's first year as a publicly listed company. The Company reported Statutory Revenue of \$289.5 million, up 37.1% on prior year (FY16: \$211.2 million) and up 20.0% on Prospectus forecasts.

Pro Forma¹ EBITDA was \$13.2 million after adjusting for one-off transaction costs associated with Kogan.com's Initial Public Offering in July 2016 and unrealised foreign exchange gains and losses. Pro Forma¹ EBITDA was up 230.0% on prior year (FY16: \$4.0 million) and up 91.3% on Prospectus forecasts, reflecting revenue growth and margin expansion. Pro Forma¹ NPAT of \$7.2 million significantly outperformed Prospectus forecasts of \$2.5 million. Pro Forma¹ NPATA was \$8.6 million which reflects Pro Forma¹ NPAT plus the non-cash amortisation of the Dick Smith Assets².

As at 30 June 2017, Kogan.com was in a strong net cash position of \$32.0 million with inventory levels of \$39.7 million. Investment in inventory was a key driver for Kogan.com's

¹ The basis of the Pro Forma results is consistent with the Prospectus. A reconciliation from statutory to Pro Forma is provided in Annexure 3 of the FY17 Results Presentation.

² The Dick Smith Assets were acquired in April 2016 and are being amortised over two years.

IPO and management believes inventories are now at a strong and sustainable level to drive growth in FY18. Pro Forma¹ operating cash flow was strong at \$10.8 million representing a cash conversion ratio of 81.8% and reflecting the continued growth of Kogan.com's Portfolio of businesses.

Kogan.com Founder & CEO Ruslan Kogan said: *"Kogan.com has delivered a strong result for the full year. This result reflects the skill and dedication of our team, the growth in Kogan.com's Portfolio of products and services businesses and our ability to make well-considered investments in inventory and marketing in line with our long term strategy."*

"The company has a strong balance sheet which will allow us to continue to fund growth in our core Kogan Retail businesses, while the continued diversification of our Kogan Portfolio is providing strong cash flows. Our team is very proud of the fact that we've managed to build and engineer a business model that is both a high growth and dividend paying Company."

"We will continue to look for opportunities to serve our loyal community of customers with new value-focused offers. In a noisy marketplace, the Kogan brand is recognised for price leadership through digital efficiency. Recent industry awards – in particular, winning the People's Choice Award at Startrack's ORIAS – are a testament to this. In FY17 our offer spanned Retail, Marketplace, Mobile and Travel and in FY18 we add Kogan NBN and Kogan Insurance to our Portfolio. We are all very excited for the year ahead."

Key drivers of financial performance in FY17

The following factors positively impacted Kogan.com's FY17 result:

- **Growing Brand** – Kogan.com had 955,000 active customers as at 30 June 2017, up 36.0% on the prior year. Marketing initiatives outlined in the Prospectus were successfully executed and continue to be a disciplined focus for Kogan.com, with annual revenue per customer and gross profit per customer increasing. Kogan.com has recently been recognised: with the People's Choice Award at Startrack's Online Retail Industry Awards (ORIAS); as the #1 Most Mobile Ready Brand by Ansible; and as having the Best Value for Money TV on the market by Canstar.
- **Growth in Third Party Domestic sales including via Kogan Marketplace** – Additional brands and an expanded range of products boosted this channel, reflecting increased interest from brands and distributors in the Kogan.com Active Customer base. Revenue from this channel grew 51.3% year on year.
- **Precision Private Label execution** – In FY17, Kogan.com deployed proceeds from the IPO to respond to pent up demand for its Private Label products. Utilising an analytical approach to sourcing decisions enabled Kogan.com to service the existing demand while maintaining healthy inventory levels. Private Label revenue was up 20.8% on prior year and represented 52.2% of the group's gross profit in FY17.
- **Strong growth in Kogan Mobile** – Kogan Mobile is continuing to scale, with annual revenue reaching \$3.6 million in FY17 as a result of both new customer acquisitions and repeat customers.
- **Gross margin expansion** – Gross margin was 17.9%, exceeding the Prospectus forecast by 2.7pp. Margin expansion was driven by precision demand planning to build Private Label inventory, automation initiatives and the accelerated growth of Kogan Mobile.
- **Proprietary eCommerce platform and ERP** – Kogan.com's multi-channel proprietary world class platform allows personalisation in marketing and scalability of the consumer offering.

Focus on growth FY18 and beyond

In FY18 Kogan.com will focus on the following growth initiatives:

- Continued investment in expanding the Kogan Retail Private Label range, where pre-existing online demand is established and where Kogan.com can be a price leader with a strong competitive advantage;
- Continued investment in brand-building to drive revenue per customer and conversion rates across the Portfolio;
- Continued partnerships with select brands and distributors via Kogan Marketplace, giving those brands an effective channel to market via a direct voice with the Kogan Community;
- Continued promotion and marketing support for Kogan Mobile, which continues to grow strongly with a win-win-win proposition for the Kogan Community, our partner Vodafone, and Kogan.com;
- Ramp up of Kogan Insurance – which launched in early 1H18 in partnership with Hollard Insurance Company – with the objective of delivering value for money in home, contents, landlord, car and travel insurance;
- Launch of Kogan Broadband in 2H18, also in partnership with Vodafone, offering competitively priced fixed-line NBN services;
- Continued assessment of opportunities to grow Kogan Retail via opportunistic M&A; and
- Continued assessment of opportunities to expand the Kogan Portfolio of products and services in ways that serve the Kogan Community and continue to build goodwill.

Dividend & Outlook

Kogan.com exceeded prospectus forecasts on all measures in FY17 and, in FY18, is now outside of the Prospectus forecast period.

Given the repeated outperformance against Prospectus forecast, and the acceleration in growth in various parts of the Kogan Portfolio, the Board will not be providing full year earnings guidance for FY18 and will instead provide regular trading performance updates at around the time of quarterly cash-flow statements (Appendix 4C).

FY18 trading has started well with the July 2017 results, which are unaudited, showing year on year growth in revenue of 34.9%.

The Kogan.com Board believes that the business will continue its trajectory of strong revenue growth on the back of the growing Kogan brand and our ongoing investments in marketing and inventory. The Board also believes that the business-wide EBITDA margin will grow on the back of rapid growth in Kogan Mobile and continued expansion of the Kogan Portfolio of businesses into new verticals.

The Directors of Kogan.com have declared a fully franked final dividend of 3.80 cents per share, bringing total fully franked dividends for FY17 to 7.70 cents per share, reflecting the out-performance of the business and the Directors' confidence in Kogan.com's short term and long term strategy.

ENDS

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About Kogan.com

Kogan.com is a portfolio of retail and services businesses that includes Kogan Retail, Kogan Marketplace, Kogan Mobile, Kogan Broadband, Kogan Insurance and Kogan Travel. Kogan is a leading Australian consumer brand renowned for price leadership through digital efficiency. The company is focused on making in-demand products and services more affordable and accessible.