

ASX ANNOUNCEMENT

17 August 2018

Kogan.com doubles earnings for third year in a row

FY18 HIGHLIGHTS

- EBITDA in FY18 more than doubled FY17 Pro Forma¹ EBITDA
- Gross Transaction Value of \$492.6 million, up 47.3% on prior year (FY17: \$334.5 million)
- Revenue of \$412.3 million, up 42.4% on prior year (FY17: \$289.5 million)
- FY18 EBITDA of \$26.0 million, up 108.0% on prior year (FY17 Pro Forma¹ EBITDA: \$12.5 million), reflecting revenue growth and margin expansion
- NPAT of \$14.1 million, up 110.4% on prior year (FY17 Pro Forma NPAT: \$6.7 million)
- Growth in Active Customer base to 1,388,000, up 45.3% from 30 June 2017, driven by growth in the Kogan Brand, New Verticals and strategic marketing initiatives
- Gross margin expansion to 19.5% (FY17: 17.9%) as a result of growth in Kogan Mobile and mix shift among Product Divisions
- Strong balance sheet with net cash of \$42.6 million, operating cash flow before capital expenditure of \$31.7 million and operating cash conversion of 122.9%
- Fully franked total dividends per share of 13.0c in respect of FY18 (FY17: 7.7c)

Kogan.com Limited (Kogan.com; ASX:KGN) today announced financial results for the full year ended 30 June 2018 (FY18).

The Company reported Gross Transaction Value of \$492.6 million, up 47.3% on prior year (FY17: \$334.5 million), and Revenue of \$412.3 million, up 42.4% on prior year (FY17: \$289.5 million).

EBITDA was \$26.0 million, up 108.0% on prior year (FY17 Pro Forma equivalent basis¹: \$12.5 million), driven by growth in Product Divisions, Kogan Mobile and investments in marketing and inventory. In addition, the business is continuing to experience significant operating leverage, with acceleration of EBITDA materially outpacing Revenue. NPAT and NPATA² were \$14.1 million and \$15.2 million, respectively, both materially out-performing the prior corresponding period (FY17: Pro Forma NPAT and NPATA were \$6.7 million and \$8.1 million).

As at 30 June 2018, Kogan.com was in a strong net cash position of \$42.6 million, with inventory levels of \$50.2 million. This comprised \$9.8 million of inventory in transit; and \$40.4 million of inventory in warehouse. 79.9% of inventory in warehouse was less than 120 days old, and more than 99.4% was less than 365 days old.

Strong sell-through of inventory was a driver of revenue growth in FY18. Operating cash flow was \$31.7 million, representing a cash conversion ratio of 122.9%.

Ruslan Kogan, Founder & CEO of Kogan.com, said:

“In Financial Year 2018, we have significantly invested in and improved our customer offering. We now operate in more industries than ever with a very compelling offer in each industry. We continue to invest in our brand to drive our growing portfolio of businesses and improve our value proposition. I am incredibly proud of the Kogan.com team who are executing our long term strategy with precision and delighting our customers along the way, culminating in Kogan.com being recently voted as Australia’s favourite online retailer for a second consecutive year.”

“While earnings from the business have more than doubled over the prior year, our consumer offer is now stronger than ever. We are focused on maintaining our price leadership position, while delivering growing earnings to shareholders – principally by focusing on digital efficiency and maintaining low overheads. We are extremely excited about our pipeline of initiatives that will further enhance our competitive offering in the near future and progress our mission to make the most in-demand products and services more affordable.”

Key drivers of financial performance in FY18

The following factors positively impacted Kogan.com’s FY18 result:

- Growing Brand – The business achieved strong growth in Active Customers in the last 12 months of 433,000 (45.3%). At 30 June 2018, the business had 1,388,000 Active Customers. ROI on marketing expenditure continues to exceed expectations and the business has invested in this in FY18. Strong NPS and effective, targeted marketing helped drive revenue growth year-on-year and build our customer base.
- Product Divisions – Product Divisions achieved YoY revenue growth of 40.5% as we continue to expand our product offering, on-board new and market-leading brands and leverage digital efficiencies to bring best-in-market offers to consumers. The Partner Brands Product Division is now a larger contributor to Gross Profit than the Global Brands Product Division. Exclusive Brands continues to be the largest contributor to Gross Profit.
- New Verticals - Kogan Mobile continues to achieve strong results with YoY growth in Gross Profit of 233.3%, resulting in a Gross Profit contribution of \$12 million in FY18. Due to the commission-based model, Kogan Mobile incurs minimal operating costs, with marketing being the key cost. During FY18 we launched Kogan Insurance, Kogan Health, Kogan Pet & Kogan Life, all of which fall under the Kogan Insurance umbrella, and Kogan Internet. These New Verticals achieved gross profit of \$0.8 million, of which \$0.6 million was generated by Kogan Internet.
- Gross Margin improvement – Continued rapid growth in Kogan Mobile & strong growth in the Partner Brands Product Division drove gross margin improvement YoY. Kogan Mobile Gross Profit increased as a % of overall Gross Profit from 7.0% in FY17 to 14.9% in FY18. Partner Brands achieved YoY Revenue growth of 46.0% & represented 20.5% of overall Gross Profit. Exclusive

Brands continues to be the largest contributor of Gross Profit, representing 44.2% in FY18.

- Investment in people – The business has made strategic investments in people, in order to retain key talent and align their interests with shareholders. Short-term and long-term incentives remain in place and people costs have increased YoY. People costs in FY18 include \$1.1 million of costs relating to vested and unvested equity-based compensation, plus \$0.8 million of short-term incentive bonuses arising as a result of FY18 out-performance.

Dividend & Outlook

The Kogan.com Board has declared a fully franked final dividend of 6.1 cents per share, resulting in total dividends per share in respect of FY18 of 13.0 cents, an increase of 68.8% above the 7.7 cents per share of dividends paid in respect of FY17.

The Board will not be providing formal EBITDA guidance for FY19. However, the Board will provide an update on trading performance of the business at the Company's AGM in November.

At Kogan.com we are relentless in our mission to both continue to grow our existing businesses and to expand our portfolio. The second half of FY18 saw the launch of Kogan Health, Kogan Internet, Kogan Life and Kogan Pet. We expect these portfolio businesses to gain traction in FY19. In addition, we expect Kogan Mobile to continue its strong growth and the investments in marketing and inventory to drive further growth in our Product Divisions. The Kogan.com Board is looking to the future with confidence and is excited about the opportunities that lie ahead.

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 Internet, 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.

1. The FY17 Pro Forma results represent the results of the business after removing the impact of transaction costs relating to the IPO, as set out in Annexure 3 of the FY17 Results Presentation (released to ASX on 18 August 2017). The impact of mark-to-market on unrealised foreign exchange contracts has not been removed from EBITDA in FY17, which is consistent with the treatment in FY18.

2. NPATA refers to NPAT plus the non-cash amortisation of the Dick Smith Assets. As at the end of FY18, the Dick Smith Assets have been fully amortised.