



# 1HFY19 RESULTS

22 February 2019

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# CEO Update

Ruslan Kogan  
Founder & CEO

# 1HFY19 HIGHLIGHTS

## FINANCIAL PERFORMANCE

- GTV of \$277.3 million and Revenue of \$231.8 million out-performed the prior year by 12.9% and 10.6%<sup>1</sup>, respectively. 1HFY19 EBITDA was \$13.3 million

## GROWING BRAND

- 1,542,000 Active Customers at 31 December 2018 – an increase of 32.2% year-on-year

## STRONG GROWTH FROM KEY INITIATIVES

- Kogan Mobile continues strong growth trajectory in Active Customers
- Investments in inventory and marketing drove growth in core Product Divisions:
  - Exclusive Brands revenue increased by 26.1% year on year
  - Partner Brands revenue increased by 96.5% year on year
- Kogan Insurance has strong growth

## NEW VERTICALS LAUNCHED & ANNOUNCED

- Kogan Money Home Loans launched during 1HFY19
- Kogan Money Super, Kogan Money Credit Cards, and Kogan Mobile New Zealand due to launch during 2019 (with significant upfront incentives due on launch, in one instance)

## DIVIDEND

- Fully franked interim dividend of 6.1 cents per share

### Notes:

1. The Company has applied AASB 15 at 1 July 2018. Under the transition methods chosen, comparative information is not restated. Please see Annexure 2 for a reconciliation. Comparative performance of 1HFY19 revenue, gross profit and EBITDA is superior without the adoption of AASB 15. The basis of the 1HFY18 Trading result is set out in prior period presentations and reports – refer to Annexure 3.

# 1HFY19 RESULTS

Gross Profit growth of 10.8% reflects strong performance from core Product Divisions and New Verticals

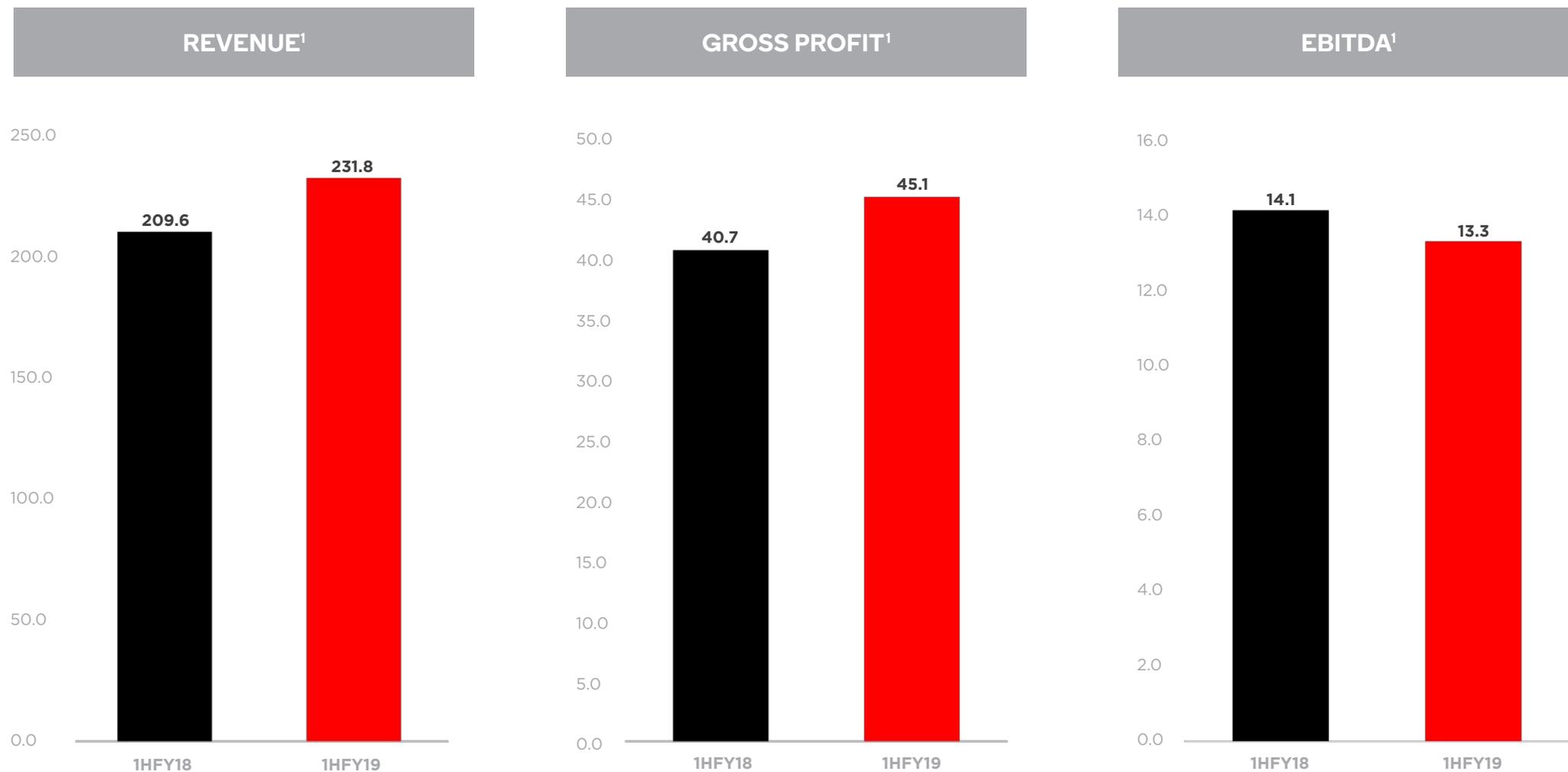
	1HFY18 <sup>1</sup>	1HFY19	1HFY18 vs 1HFY19 Variance
GTV	<b>245.6</b>	<b>277.3</b>	12.9%
Revenue <sup>1</sup> \$m	209.6	231.8	10.6%
Gross Profit	40.7	45.1	10.8%
<i>Gross Margin<sup>1</sup></i>	19.4%	19.5%	0.1pp/0.1%
EBITDA <sup>1</sup> \$m	<b>14.1</b>	<b>13.3</b>	-5.7%

Notes:

1. The Company has applied AASB 15 at 1 July 2018. Under the transition methods chosen, comparative information is not restated. Please see Annexure 2 for a reconciliation. Comparative performance of 1HFY19 revenue, gross profit and EBITDA is superior without the adoption of AASB 15. The basis of the 1HFY18 Trading result is set out in prior period presentations and reports – refer to Annexure 3.

# FINANCIAL HIGHLIGHTS

Revenue and Gross Profit continue to grow by double digits, while EBITDA was impacted by investments in logistics and marketing.



Notes:

1. The Company has applied AASB 15 at 1 July 2018. Under the transition methods chosen, comparative information is not restated. Please see Annexure 2 for a reconciliation. Comparative performance of 1HFY19 revenue, gross profit and EBITDA is superior without the adoption of AASB 15. The basis of the 1HFY18 Trading result is set out in prior period presentations and reports – refer to Annexure 3.

# WHO WE ARE

We have built a company that allows us to be agile, bold and innovative. Our growing portfolio of businesses provides diversification of income, making us a more resilient business.

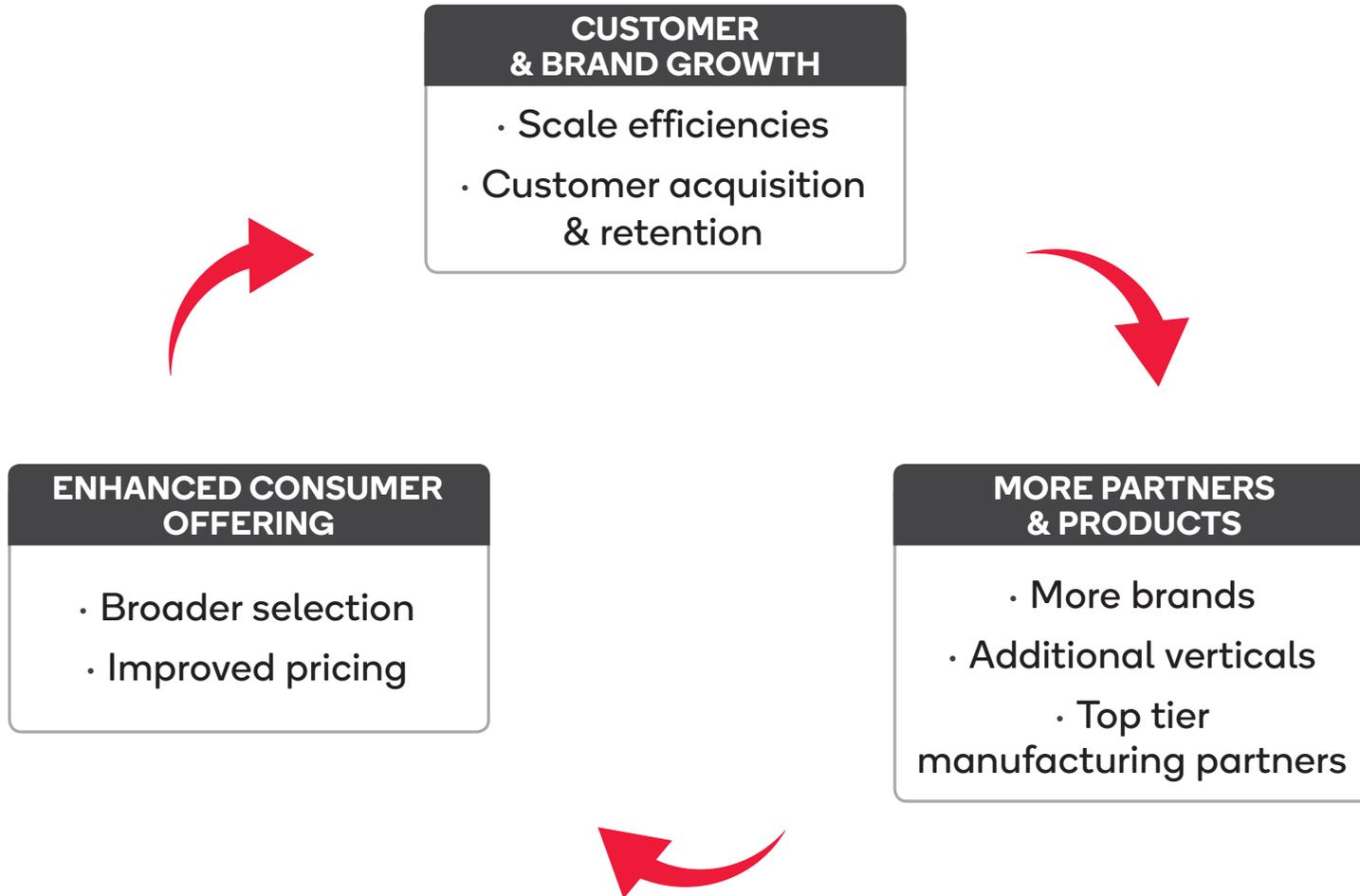
kogan.com

1,542,000  
Active Customers<sup>1</sup> 



Notes:  
1. Active Customers includes customers that transacted through our Retail websites - it does not include customers who have only transacted through our additional verticals.

## OUR VIRTUOUS CYCLE

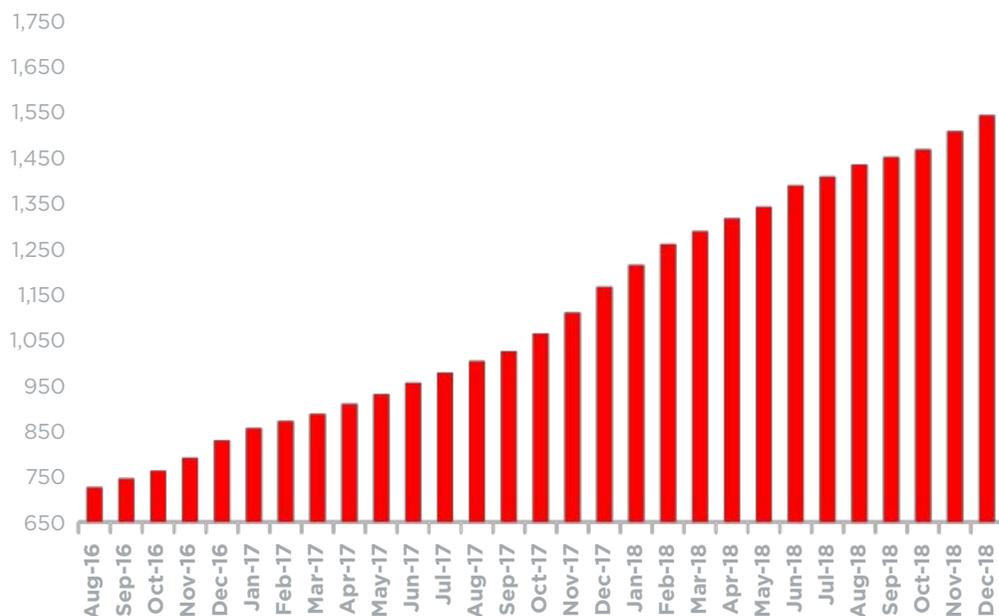


# BUILDING THE KOGAN BRAND

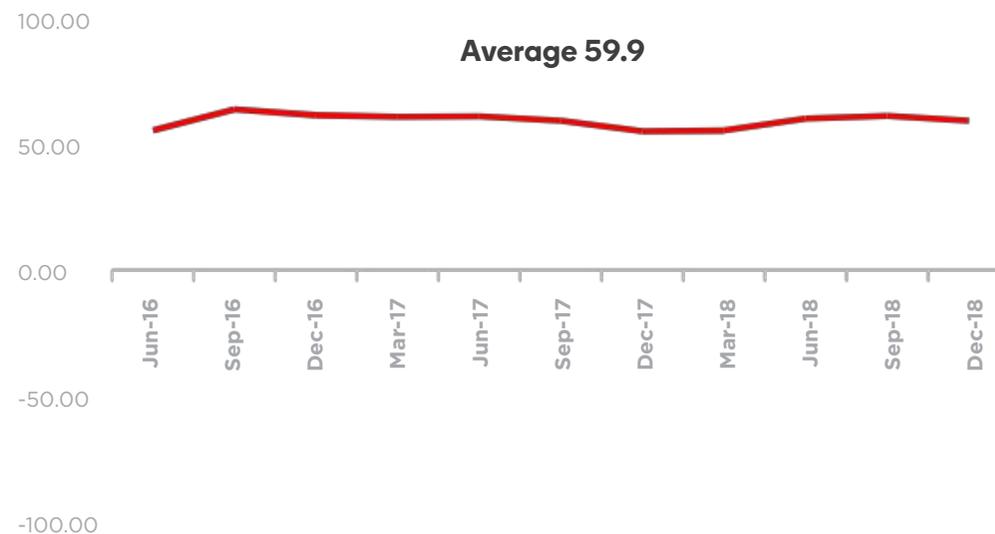
In the twelve months to December 2018, the business achieved 32.2% growth in Active Customers

	Dec-17	Dec-18	Dec-17 vs Dec-18 Variance
Active Customers	1,166,000	1,542,000	32.2%

## ACTIVE CUSTOMERS<sup>2</sup>



## NET PROMOTER SCORE<sup>1</sup>



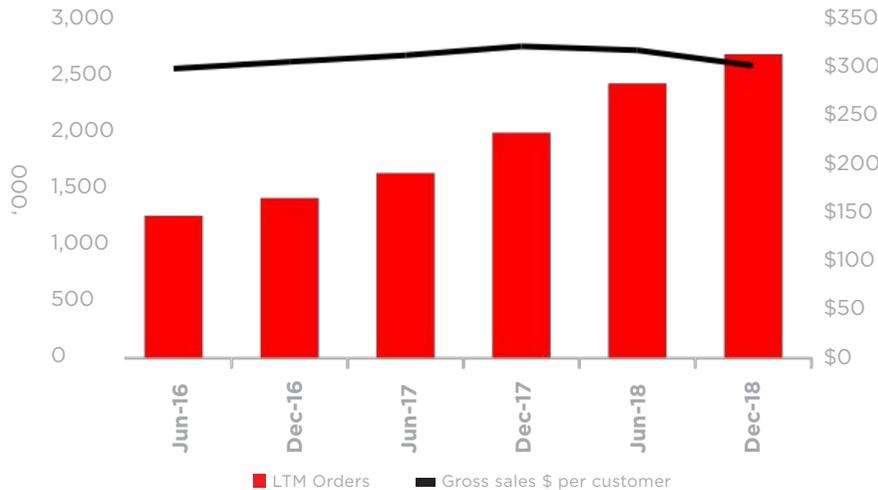
Notes:

1. Net Promoter Score (NPS) is calculated based on answers to the question, "How likely is it that you would recommend Kogan.com to a friend or colleague?" Kogan.com measures its NPS as the percentage of customers who are "promoters" rating its products and services 9 or 10 out of a possible 10, less the percentage of "detractors", rating its products and services 0 to 6 out of a possible 10. The maximum possible NPS is 100, and the minimum possible NPS is -100.
2. Active Customers includes customers that transacted through our Retail websites - it does not include customers who have only transacted through our additional verticals.

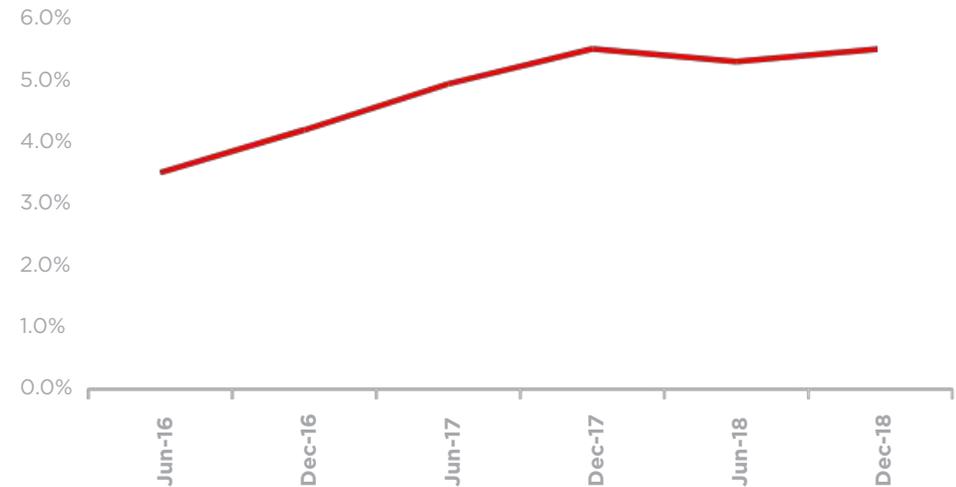
# BUILDING THE KOGAN BRAND

A large percentage of traffic continues to come from free sources. Gross sales per customer was impacted by a reduction in high value Apple sales and the introduction of a long-tail of lower value items on our websites, while the number of total customer orders continues to grow.

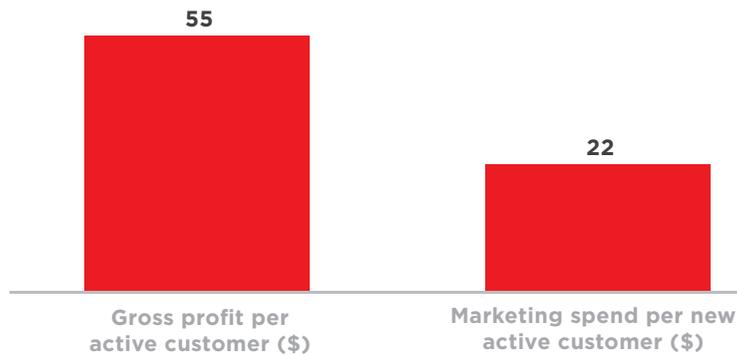
**LTM CUSTOMER ORDERS & AVERAGE GROSS SALES PER CUSTOMER<sup>1</sup>**



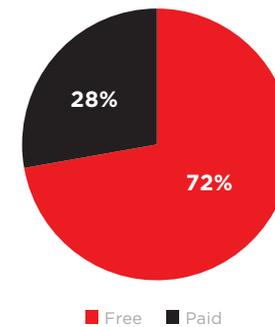
**CONVERSION RATE<sup>3</sup>**



**LTM RETURN ON INVESTMENT IN MARKETING<sup>2</sup>**



**TRAFFIC - FREE (BRAND DRIVERS) VS PAID MARKETING**



**FREE SOURCES**

- Direct website traffic
- Direct App traffic
- Brand searches
- Other organic search queries
- Email based marketing
- Mobile push notifications
- Desktop push notifications

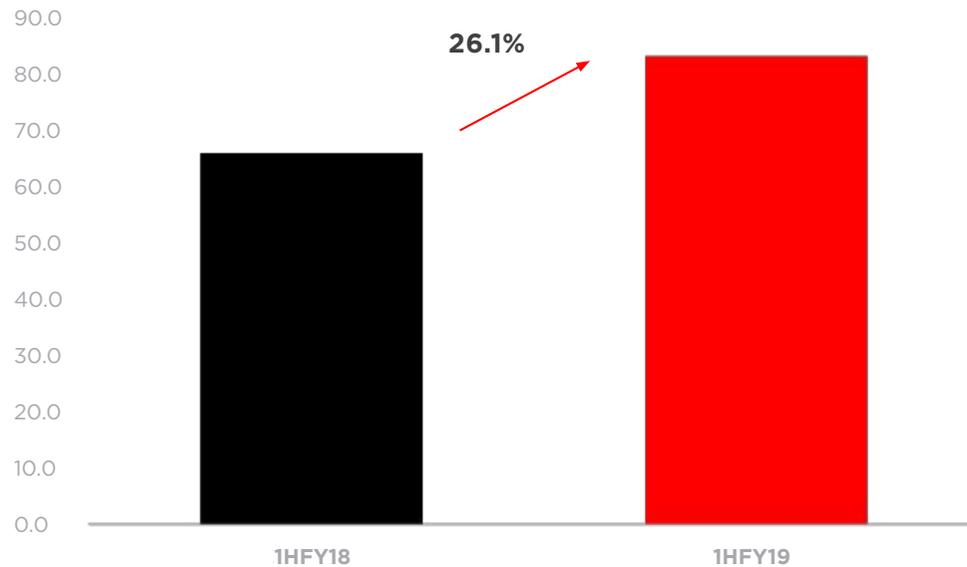
**Notes:**

1. Gross sales \$ per customer is gross sales (ex GST) within the prior 365 days/no. of Active Customers within the prior 365 days.
2. LTM Gross Profit/LTM Active Customers as at 31 December 2018; marketing costs/sum of quarterly new Active Customers in 1HFY19.
3. Conversion rate is defined as the number of transactions divided by unique visitors from Core Website Channels.

# EXCLUSIVE BRANDS STRATEGY

Exclusive Brands continue to demonstrate strong growth, as we continue to meet strong consumer demand across a wide-array of products.

## STRONG YOY GROWTH IN EXCLUSIVE BRANDS REVENUE



Our Exclusive Brands business benefits from:

- Full control of the end-to-end supply chain;
- Strong competitive advantage;
- Compelling consumer offering; and
- Over 12 years' experience.

kogan

KOMODO

bubli

CERTA

ovela

Scharfen

COOKMASTER

Trafalgar

FORTIS

VOSTOK

SHANGRI-LA

BELLA VITA

Pestill

ERGOLUX

orbis

ESTELLE

KROMO

Pawever Pets

kogan.com

# Financial Update

David Shafer  
CFO/COO

# 1HFY19 RESULTS COMPARED TO 1HFY18

Our diversified portfolio of businesses continued to deliver top-line growth and growth in gross profit, as we managed our costs and investments in marketing and warehousing.

\$m	1HFY18 <sup>1</sup>	1HFY19	% Variance
GTV	245.6	277.3	12.9%
Gross Sales	221.7	238.8	7.7%
Revenue	209.6	231.8	10.6%
Cost of Sales	(168.9)	(186.7)	10.5%
<b>Gross Profit</b>	<b>40.7</b>	<b>45.1</b>	<b>10.8%</b>
Gross margin %	19.4%	19.5%	0.1pp/0.1%
Variable Costs	(6.9)	(8.8)	27.5%
Marketing	(9.5)	(11.6)	22.1%
People Costs	(6.9)	(8.0)	15.9%
Other Expenses	(3.4)	(3.5)	2.9%
<b>EBITDA<sup>1</sup></b>	<b>14.1</b>	<b>13.3</b>	<b>-5.7%</b>
<i>EBITDA Margin (%)</i>	<i>6.7%</i>	<i>5.7%</i>	<i>-1.0pp/-14.8%</i>
Depreciation & amortisation	(2.5)	(2.9)	16.0%
<b>EBIT</b>	<b>11.6</b>	<b>10.3</b>	<b>-11.2%</b>
<b>Profit Before Tax</b>	<b>11.7</b>	<b>10.5</b>	<b>-10.3%</b>
Income Tax Expense	(3.6)	(3.1)	-13.9%
<b>NPAT</b>	<b>8.1</b>	<b>7.4</b>	<b>-8.6%</b>

Notes:

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## OVERVIEW

**GTV** reflects the gross sales of Kogan Retail and the gross transaction value of New Verticals. Revenue for New Verticals reflects only the commission received.

**Revenue** growth was driven by growth of 26.1% in Exclusive Brands and 96.5% in Partner Brands. Growth was tempered by various factors, including changes in the GST law, effective from 1 July 2018, apparent GST avoidance by foreign websites, and subdued demand for new release Apple products. Revenue comparisons year-on-year are also impacted by changes to the accounting standard for revenue recognition. 1HFY19 is presented in line with AASB 15, while 1HFY18 represents the reported results as set out in the prior period presentation and results.

**Variable Costs** were primarily impacted by investment in expanding our warehousing footprint. The expansion of our warehousing facilities involved some up-front costs, however we started to see efficiencies in 2QFY19.

**Marketing costs** grew by 22.1% year-on-year following improvements in ROI and efficiency commencing 2QFY19.

**EBITDA** was impacted by growth in costs during the period, particularly investments in warehousing and marketing, which management believes will provide benefits over the long term.

# KEY DRIVERS OF KOGAN.COM 1HFY19 FINANCIAL PERFORMANCE

The business achieved strong Active Customer growth and revenue growth across core Product Divisions, while actively managing operating costs and investments to reflect the trading environment. Our portfolio of businesses gave diversification of income and overall resilience in the Company.

## BRAND GROWTH

In the last twelve months, the Company continued to achieve strong Active Customer growth of 376,000 (32.2%). At 31 December 2018, the business had Active Customers of 1,542,000.

ROI on marketing continues to be closely monitored and our NPS remains strong at an average of 59.9. The business improved marketing efficiency and ROI over the half, and is comfortable with the current ROI on marketing. Close monitoring of and flexibility in key operating costs allows us to maintain our price leadership position and respond to changes in the competitive environment.

## PRODUCT DIVISIONS

Exclusive Brands continued to achieve significant year-on-year revenue growth with an increase of 26.1% on 1HFY18. Exclusive Brands represented 50.9% of overall gross profit in 1HFY19. This growth was achieved through ongoing investment in Exclusive Brands inventory to broaden our range including into white goods and meet consumer demand from the growing base of Active Customers.

1HFY19 also saw the Company continue to reap the rewards of investment in our Partner Brands Product Division. Partner Brands achieved year-on-year growth of 96.5% and represented 27.2% of overall gross profit. The team is consistently on-boarding new and market-leading brands to bring our customers the most in-demand products, further demonstrating the strength of our proposition as a partner for leading brands and distributors. In addition, various brands that were previously part of the Global Brands Product Division transferred to the Partner Brands Product Division during the period.

Global Brands, our internationally sourced third party brand product division, has experienced a year-on-year decrease in revenue following the change to GST laws and the apparent avoidance of GST by foreign websites. Also, various brands have moved from Global Brands to our Partner Brands Product Division, which impacts the comparative growth. Finally, subdued demand for new release Apple products tempered growth in revenue.

# KEY DRIVERS OF KOGAN.COM 1HFY19 FINANCIAL PERFORMANCE

## NEW VERTICALS

Kogan Mobile continued to achieve strong growth in Active Customers over the period. We provided compelling promotional introductory offers, which impacted ARPU over the period. As promotional offers apply for a limited period, we expect to increase ARPU progressively as customers roll off their promotional plans and onto everyday plans.

Kogan Internet and Kogan Insurance continue to grow in Active Customers, and we are working with our partners to implement strategies to accelerate growth.

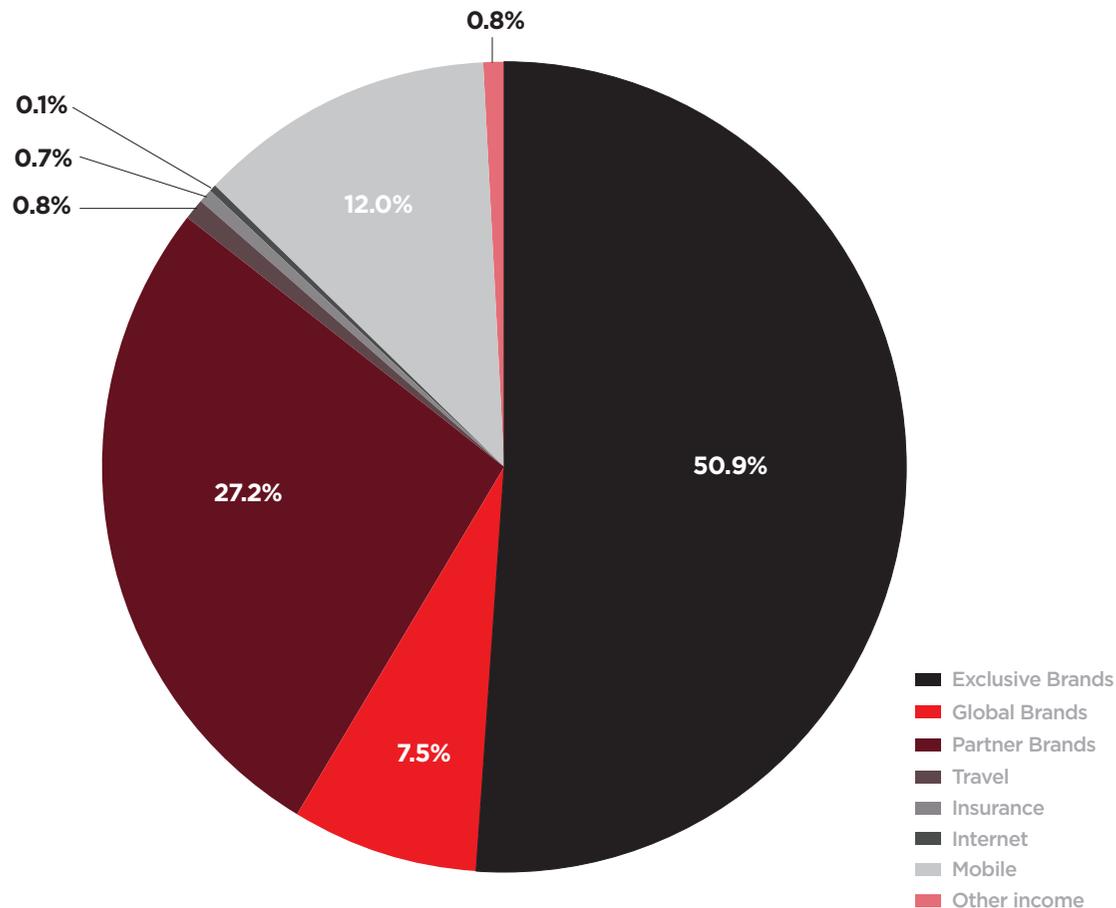
## VARIABLE COSTS

During 1HFY19, the Company continued to make investments in expanding its warehousing footprint. This involved some up-front costs, however this investment in the future of the business is expected to provide efficiencies in 2HFY19 and beyond, in addition to enhancements to the customer experience in certain geographic areas.

# 1HFY19 GROSS PROFIT PRODUCT & BUSINESS MIX

Exclusive Brands and Partner Brands represented 50.9% and 27.2% of gross profit in 1HFY19, respectively. When combined with Kogan Mobile, these three core divisions accounted for 90.1% of gross profit.

1HFY19 GROSS PROFIT MIX



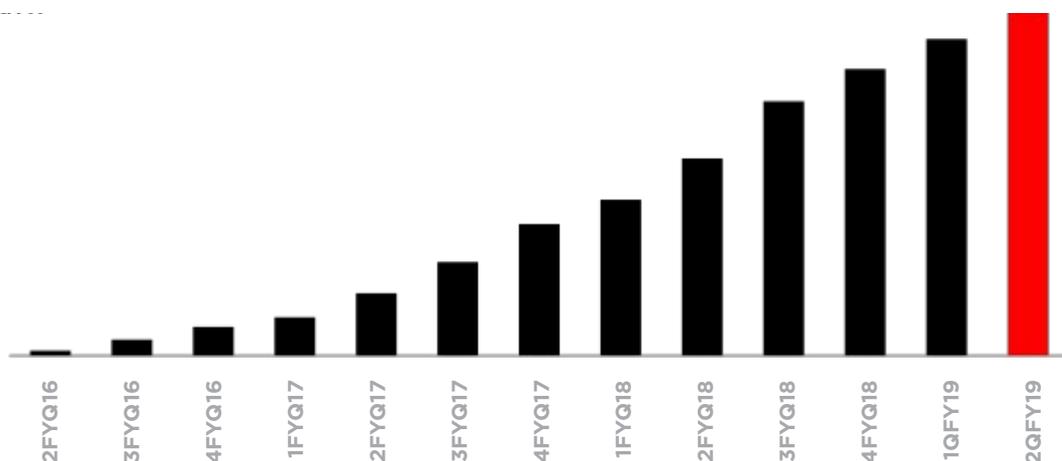
Growth in Exclusive Brands, Partner Brands and Kogan Mobile resulted in a year-on-year increase in gross profit to \$45.1 million (1HFY18: \$40.7 million).

Partner Brands now represents 27.2% of gross profit, up 7.5pp on 1HFY18. Conversely, Global Brands has reduced from 18.3% in FY18 to 7.5% in 1HFY19.

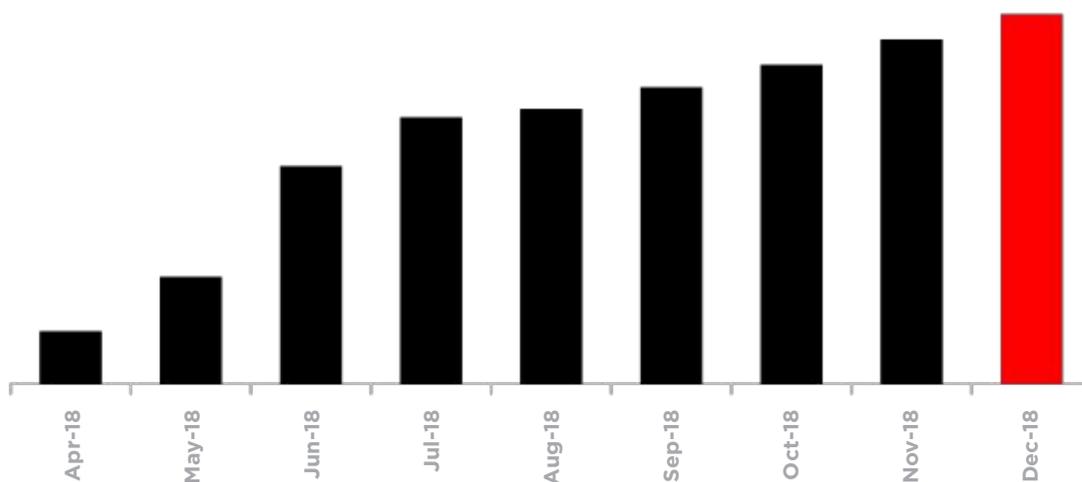
# KOGAN MOBILE & INTERNET

Kogan Mobile and Kogan Internet continue to achieve strong growth in active customers

## KOGAN MOBILE AUSTRALIA - ACTIVE CUSTOMERS



## KOGAN INTERNET - ACTIVE CUSTOMERS



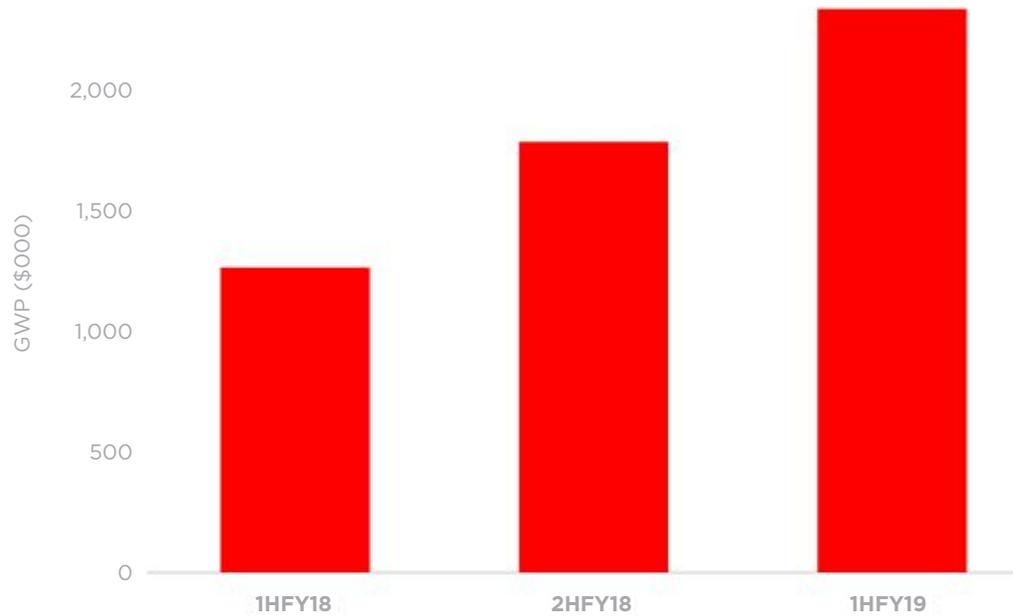
**Kogan Mobile Australia** continues to grow and contribute significantly to gross profit. In 1HFY19 Kogan Mobile represented 12.0% of gross profit. Active Customers grew by 75% year-on-year. We provided compelling promotional introductory offers, which impacted ARPU over the period. As promotional offers apply for a limited period, we expect to increase ARPU progressively as customers roll off their promotional plans and onto everyday plans. Everyday pricing of plans remains stable, with data inclusions continuing to improve.

**Kogan Internet**, also in partnership with Vodafone, launched during April 2018 and is expected to continue to scale throughout 2019.

**Kogan Mobile New Zealand**, a partnership with Vodafone NZ, is expected to launch in 2019. Vodafone NZ is New Zealand's largest mobile phone operator.

# KOGAN INSURANCE

KOGAN INSURANCE GROSS WRITTEN PREMIUMS



kogan  
health

kogan  
life insurance

kogan  
pet insurance

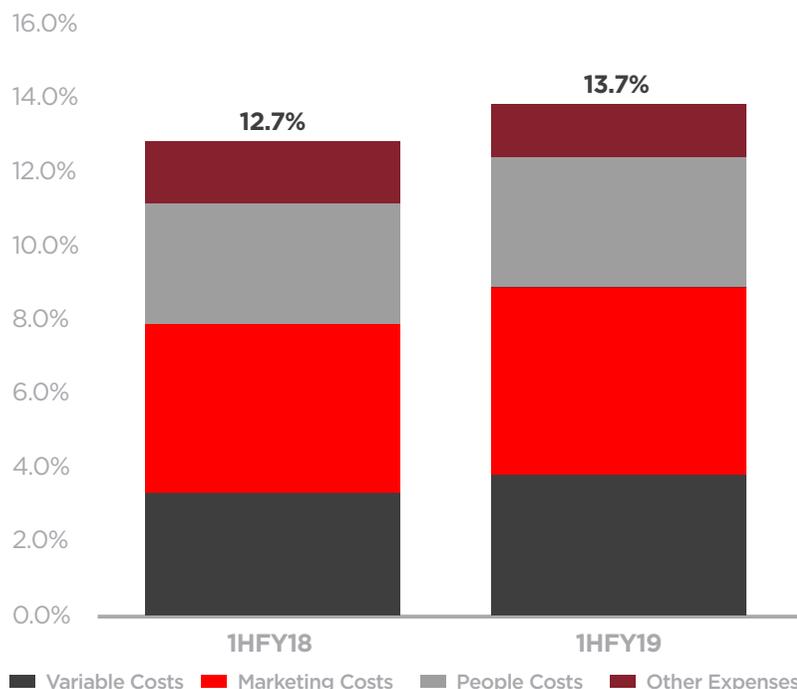
kogan  
insurance

Kogan Insurance, which includes our suite of insurance products, continues to scale. We are focused on working with our Partners in Kogan Insurance to implement strategies to further accelerate this growth in 2HFY19.

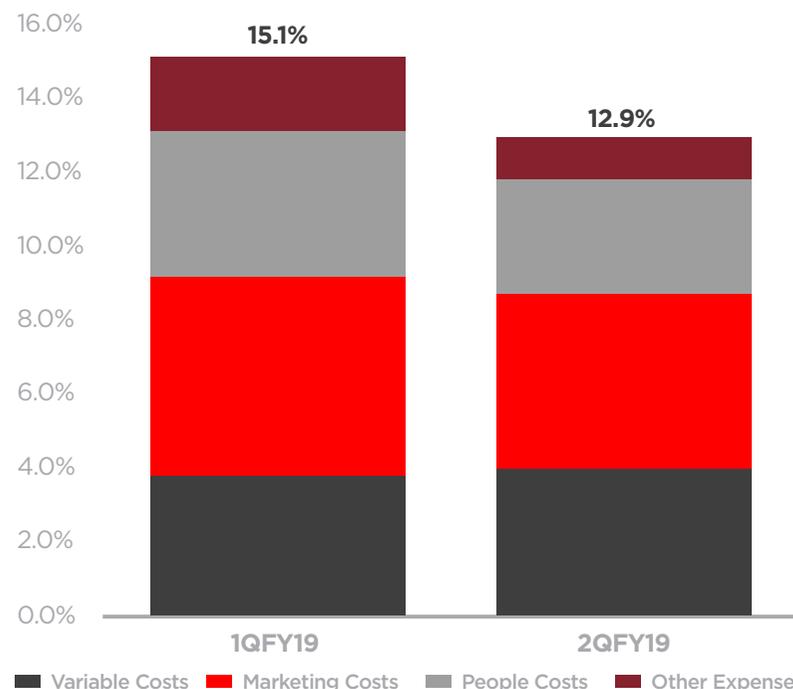
# OPERATING COSTS

During 1HFY19, the business made investments in the future, specifically through expanding our warehouse footprint and investing in marketing. Operating costs in 2QFY19 represented 12.9% of revenue, compared to 13.7% for the first half of FY19 (1HFY18: 12.7%) demonstrating that some of the costs are not ongoing, and also the successful implementation of various efficiency measures.

**OPERATING COSTS BREAKDOWN**  
1HFY18<sup>1</sup> – 1HFY19  
(as a % of revenue)



**OPERATING COSTS BREAKDOWN**  
1QFY19 – 2QFY19  
(as a % of revenue)



The year-on-year increase in variable costs reflects investments made to expand the company's warehousing footprint during 1HFY19. The expansion involved up-front costs, however management believes the company will reap the rewards through ongoing efficiencies and customer satisfaction.

Marketing costs increased year-on-year, as a result of our investment in building the Kogan brand. We continue to closely monitor the effectiveness of our marketing spend. Various efficiency measures implemented in the latter part of the half helped improve ROI. The twelve months to December 2018 saw us spend \$22 per new active customer for a return of \$55 in gross profit per active customer.

Notes:

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# NET ASSETS

Cash of \$15.5 million reflects the investments in inventory in order to respond to customer demand in Exclusive Brands and Partner Brands.

\$m	Dec-18
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	15.5
Trade and other receivables	3.5
Inventories	92.9
Financial assets	1.2
Deferred tax asset	2.1
<b>Total current assets</b>	<b>115.3</b>
<b>NON-CURRENT ASSETS</b>	
Property, plant and equipment	0.4
Intangible assets	6.6
<b>Total non-current assets</b>	<b>6.9</b>
<b>Total assets</b>	<b>122.2</b>
<b>CURRENT LIABILITIES</b>	
Trade and other payables	58.3
Current tax liability	2.7
Loans and borrowings	-
Provisions	1.5
Deferred income	10.1
<b>Total current liabilities</b>	<b>72.6</b>
<b>NON-CURRENT LIABILITIES</b>	
<b>Total liabilities</b>	<b>76.0</b>
<b>NET ASSETS</b>	<b>46.2</b>

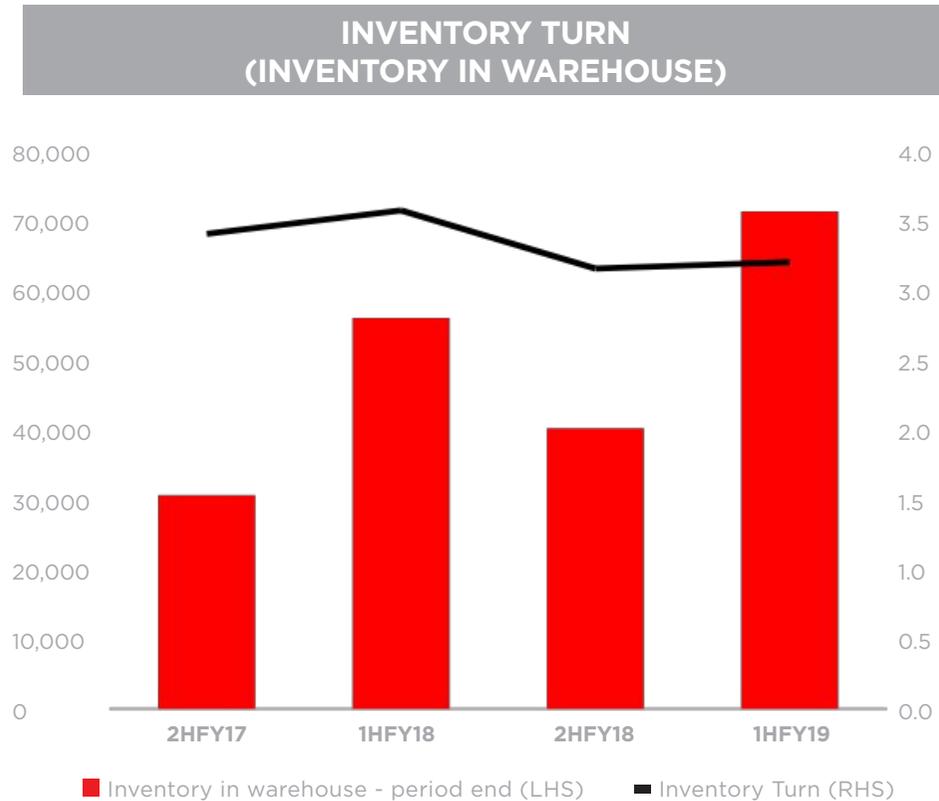
Inventories of \$92.9 million comprised : \$71.1 million of inventory in warehouse; and \$21.8 million of inventory in transit. The business has invested further in inventory in 1HFY19 in order to support the growth of core Product Divisions - Exclusive Brands and Partner Brands.

At 31 December 2018, 92.3% of inventory in warehouse was less than 120 days old and more than 99.5% of inventory in warehouse was less than 365 days old.

All investments in inventory are targeted and follow our data driven approach, which analyses demand metrics.

# INVENTORY TURN

In order to respond to consumer demand from the growing base of active customers, the business continued to invest in inventory in 1HFY19.



Despite a significant increase in inventory in warehouse, inventory turn has been broadly stable, demonstrating the strong sell-through rate of the inventory purchased, and the effectiveness of the data-driven approach to purchasing and inventory management.

# 1HFY19 STATUTORY CASH FLOW

The business invested in inventory during the half to respond to consumer demand, and drive the revenue growth of 26.1% in Exclusive Brands and 96.5% in Partner Brands

\$m	Statutory 1HF19
<b>Statutory EBITDA</b>	<b>13.3</b>
Non-cash items in EBITDA <sup>1</sup>	(1.2)
<b>EBITDA excluding non-cash items</b>	<b>12.0</b>
Change in net working capital	(26.1)
<b>Operating cash flow before capital expenditure</b>	<b>(14.1)</b>
Purchase of PP&E	(0.0)
Investment in intangibles	(2.9)
<b>Cash flow before financing and taxation</b>	<b>(16.9)</b>

## OVERVIEW

The operating cash flow before capital expenditure reflects the investments made in inventory during the period to support growth in Exclusive Brands and Partner Brands.

### Notes:

1. Non-cash items include: mark to market on outstanding foreign exchange contracts at 31 December 2018, AASB 15 adjustments and equity based compensation expenses forming part of People Costs.

# Outlook

## 2HFY19 & BEYOND

In 2HFY19, we expect continued brand growth, deeper market penetration in existing portfolio businesses and to launch new portfolio businesses.

kogan.com  
kogan  
marketplace

kogan travel kogan mobile kogan mobilenz kogan health  
kogan internet kogan life kogan pet kogan insurance  
kogan credit cards kogan super kogan home loans kogan money

SELECTIVE & OPPORTUNISTIC M&A



LAUNCH ADDITIONAL BUSINESS VERTICALS



# PORTFOLIO BUSINESS - MARKET SIZE

Portfolio Business	Partner	Launch date	Market size	Achieved greater than 1% market share?
Kogan Retail	n/a	FY06	\$21.3 billion <sup>1</sup>	✓
Kogan Internet	Vodafone	Launched 4QFY18	10.9m premises <sup>2</sup>	-
Kogan Insurance	Hollard	Launched 1QFY18	\$43.0 billion <sup>3</sup>	-
Kogan Health	Medibank	Launched 3QFY18	\$26.0 billion <sup>4</sup>	-
Kogan Life	Greenstone	Launched 4QFY18	\$66.0 billion <sup>5</sup>	-
Kogan Pet	PetSure	Launched 4QFY18	\$490 million <sup>6</sup>	-
Kogan Mobile	Vodafone	Launched 2QFY16	19.7m users <sup>7</sup>	✓
Kogan Mobile NZ	Vodafone	2019	3.8m users <sup>8</sup>	-
Kogan Money Home Loans	Pepper & Adelaide Bank	Launched 2QFY19	84.0 billion <sup>9</sup>	-
Kogan Money Super	Mercer	2019	28.6 million accounts <sup>10</sup>	-
Kogan Money Credit Card	Citi	2019	16.0 million cards <sup>11</sup>	-

## Notes:

1. Australia Post estimates that Australians spent \$21.3 billion buying goods online in 2017: [https://auspost.com.au/content/dam/auspost\\_corp/media/documents/2018-ecommerce-industry-paper-inside-australian-online-shopping.pdf](https://auspost.com.au/content/dam/auspost_corp/media/documents/2018-ecommerce-industry-paper-inside-australian-online-shopping.pdf)

2. Source: NBN Corporate Plan 2017 and NBN Weekly Progress Report (8 June 2017)

3. Source: KPMG General Insurance Industry Review 2017 – Gross Written Premiums

4. Source: IBISWorld Health Insurance – Australia Market Research Report November 2017

5. Source: IBISWorld Life Insurance – Australia Market Research Report October 2017

6. Source: Canstar - [www.canstar.com.au/pet-insurance/how-much-do-we-spend-on-our-pets/](http://www.canstar.com.au/pet-insurance/how-much-do-we-spend-on-our-pets/)

7. Source: <https://www.statista.com/statistics/274677/forecast-of-mobile-phone-users-in-australia/>

8. Source: [http://archive.stats.govt.nz/browse\\_for\\_stats/industry\\_sectors/information\\_technology\\_and\\_communications/isp-2017-mobile-connections-story.aspx](http://archive.stats.govt.nz/browse_for_stats/industry_sectors/information_technology_and_communications/isp-2017-mobile-connections-story.aspx)

9. Source: <https://www.ibisworld.com.au/industry-trends/market-research-reports/thematic-reports/mortgages.html>

10. Source: <https://www.superannuation.asn.au/ArticleDocuments/269/SuperStats-Jun2018.pdf.aspx>

11. Source: <https://www.finder.com.au/credit-cards/credit-card-statistics>, 12 November 2018

# OUTLOOK

In 2019, we expect to see the scaling up and launch of New Verticals, and further growth in the Active Customer base



2HFY19 has started well with January unaudited management accounts showing YoY:

- Revenue growth of 13.1%;
- Gross profit growth of 19.9%; and
- Operating costs (Variable Costs, Marketing Costs, People Costs & Other Expenses) growth of 7.3%.

## IN 2019, WE EXPECT:

- Growth of Active Customer base
- Growth in Exclusive Brands
- Growth in Partner Brands
- Growth in Kogan Mobile
- Growth in Kogan Insurance and Kogan Internet
- Launch of Kogan Mobile NZ, Kogan Money Super and Kogan Money Credit Cards (with significant upfront incentives due on launch, in one instance)
- Launch of Kogan Marketplace platform

# DIVIDEND

The board has declared a fully franked dividend of 6.1 cents per share

	<b>DPS (cents)</b>	<b>Franking (%)</b>	<b>Record date</b>	<b>Payment date</b>
Dividend per share (cents)	6.1	100.0	23 April 2019	8 May 2019

# GLOSSARY

1HFYxx: the six months ended 31 December 20xx.

2HFYxx: the six months ended 30 June 20xx.

1QFYxx: the three months ended 30 September 20xx.

2QFYxx: the three months ended 31 December 20xx.

Active Customers: unique customers who have purchased in the last twelve months from X date, rounded to the nearest thousand.

ARPU: average revenue per user.

EBIT: earnings before interest and tax.

EBITDA Margin: EBITDA divided by revenue.

EBITDA: earnings before interest, tax, depreciation and amortisation.

Exclusive Brands (formerly referred to as Private Label): products sold under brands owned by Kogan.com.

FYxx: Financial year ended 30 June 20xx.

Gross Margin: Gross Profit divided by revenue.

Gross Profit: revenue less cost of goods sold.

Gross Sales: represents sales of products and services, including delivery income and before deducting Cancellations and Refunds.

GTV: Gross transaction value, on a cash basis, of products and services sold, before deducting Cancellations and Refunds, but after deducting GST.

GWP: Gross written premium of insurance policies sold under Kogan Insurance, Kogan Health, Kogan Pet and Kogan Life, before deducting Cancellations and Refunds, but after deducting GST.

Inventory Turn: cost of goods sold in the period divided by the average inventory in the period.

Kogan Health: New Vertical launched in 3QFY18 offering health insurance online.

Kogan Insurance: New Vertical launched in FY18 offering Insurance online.

Kogan Internet: New Vertical launched in 2HFY18 offering NBN plans via Vodafone's fixed line NBN network.

Kogan Life: New Vertical launched in 2HFY18 offering life insurance online.

# GLOSSARY

Kogan Mobile: New Vertical offering pre-paid mobile phone plans available online using Vodafone's mobile network in Australia.

Kogan Mobile New Zealand: New Vertical due to launch in FY19 offering pre-paid mobile phone plans available online using Vodafone's mobile network in New Zealand.

Kogan Money Credit Cards: New Vertical due to launch in 2019 offering a competitively priced credit card with compelling loyalty incentives for consumers to shop on Kogan.com and elsewhere, in partnership with Citigroup Pty Ltd.

Kogan Money Home Loans: New Vertical launched in 1HFY19 offering competitive home loan products, in partnership with Adelaide Bank and Pepper Group Limited.

Kogan Money Super: New Vertical due to launch in 2HFY19 offering a new no frills, ultra low fee Australian super fund, in partnership with Mercer.

Kogan Pet: New vertical launched in 2HFY18 offering pet insurance online.

Kogan Retail: product sales through the Core Website Channels and eBay, Amazon.com.au, TradeMe and other platforms.

Kogan Travel: New vertical offering online holiday packages and hotel and cruise bookings.

LTM: last twelve months.

New Verticals: Kogan Travel, Kogan Mobile, Kogan Insurance, Kogan Internet, Kogan Health, Kogan Life, Kogan Pet, Kogan Money.

Product Division: means Exclusive Brands, Partner Brands, and Global Brands

Partner Brands (formerly referred to as Third Party Branded Domestic): brands owned by third parties, for which products are sourced domestically in Australia.

Global Brands (formerly referred to as Third Party Branded International): brands owned by third parties, for which products are sourced internationally. Working Capital: total of trade and other receivables, inventories and prepayments which are included within other assets, less trade and other payables, deferred income, employee benefits and current provisions.

YoY: year on year

# ANNEXURE 1

## 1HFY19 GROSS SALES & REVENUE BY PORTFOLIO BUSINESS

Partner Brands achieved revenue growth of 96.5% year-on-year.

\$m	1HFY18		1HFY19		YoY revenue growth %
	Gross Sales	Revenue	Gross Sales <sup>1</sup>	Revenue	
Exclusive Brands	71.8	65.9	87.9	83.1	26.1%
Global Brands	90.9	86.2	46.6	46.9	-45.6%
Partner Brands	50.1	48.5	97.8	95.3	96.5%
<b>Product Divisions</b>	<b>212.8</b>	<b>200.6</b>	<b>232.3</b>	<b>225.3</b>	<b>12.3%</b>
Travel <sup>1</sup>	3.8	3.8	0.4	0.4	n/a
Insurance	0.1	0.1	0.3	0.3	171.9%
Internet	-	-	0.1	0.1	n/a
Mobile	4.8	4.8	5.4	5.4	11.9%
<b>Total</b>	<b>221.4</b>	<b>209.2</b>	<b>238.5</b>	<b>231.4</b>	<b>10.6%</b>
Other Income	0.4	0.4	0.4	0.4	-7.5%
<b>Total</b>	<b>221.8</b>	<b>209.6</b>	<b>238.8</b>	<b>231.8</b>	<b>10.6%</b>

Notes:  
Kogan Travel is now reported in line with AASB 15.

## ANNEXURE 2

### 1HFY19 IMPACTS OF AASB 15

\$m	1HFY19 reported	1	2	1HFY19 without adoption of AASB 15
Revenue	231.8	3.2	0.3	235.3
Cost of Sales	(186.7)	(3.2)	-	(189.9)
Gross Profit	<b>45.1</b>	-	0.3	<b>45.4</b>
<i>Gross Margin %</i>	<i>19.5%</i>	-	-	19.3%
EBITDA	<b>13.3</b>	-	0.3	<b>13.6</b>

In line with changes to accounting standards for the financial year ending 30 June 2019, our 1HFY19 results now reflect the requirements of AASB 15 'Revenue from contracts with customers'. This change impacts two revenue streams: extended care and Kogan Travel. The above table presents the impact of this change.

#### Adjustment 1

Increases revenue to reflect the gross Kogan Travel amount, rather than the commission only, and adds back the cost of sales, meaning there is no gross profit impact. Previously, the gross value of travel deals sold through Kogan Travel was recognised as revenue. However, AASB 15 Principal vs Agent considerations require that only the commission earned on the sales be recognised as revenue. This change impacts revenue and cost of sales, with no gross profit or EBITDA impact.

#### Adjustment 2

Reflects the difference between the previous accounting policy and the AASB 15 requirements, resulting in a positive impact of \$0.3 million. Previously, extended care income was recognised at the time of sale. All potential warranty/care expenses, standard and extended, are provided for, with movements in the provision recorded in cost of sales, to cover any future costs. Under AASB 15, income received for extended care must be deferred and recognised over the period of the contract. This change impacts revenue, gross profit and EBITDA

# ANNEXURE 3

## 1HFY18 STATUTORY RECONCILIATION TO TRADING RESULTS

\$m	Statutory 1HFY18	Unrealised FX gain or loss <sup>1</sup>	Trading actual 1HFY18
Revenue	209.6		209.6
Cost of Sales	(168.9)		(168.9)
<b>Gross Profit</b>	<b>40.7</b>		<b>40.7</b>
<i>Gross Margin %</i>	<i>19.4%</i>		<i>19.4%</i>
Variable Costs	(6.9)		(6.9)
Marketing Costs	(9.5)		(9.5)
People Costs	(6.9)		(6.9)
Other Expenses	(3.4)		(3.4)
Total operating costs	(26.6)		(26.6)
Unrealised FX gain or loss	0.3	(0.3)	-
<b>EBITDA</b>	<b>14.4</b>	(0.3)	<b>14.1</b>
<i>EBITDA margin %</i>	<i>6.9%</i>		<i>6.7%</i>
Depreciation & amortisation	(2.5)		(2.5)
EBIT	<b>11.8</b>	(0.3)	<b>11.6</b>
Interest	0.1		0.1
<b>PBT</b>	<b>12.0</b>	(0.3)	<b>11.7</b>
Income tax expense	(3.6)		(3.6)
<b>NPAT</b>	<b>8.3</b>	(0.3)	<b>8.1</b>

Notes:

This is a duplication of Annexure 3 of the Kogan.com 1HFY18 Results Presentation dated 22 February 2018. It has been provided here for reference only.