

ASX ANNOUNCEMENT

20 August 2019

Kogan.com surpasses half a billion in Gross Sales while delivering double digit earnings growth.

FY19 HIGHLIGHTS

- **Gross Sales¹** of \$551.8 million, up 12.0% on prior year (FY18: \$492.6 million)
- **Revenue²** of \$438.7 million, up 6.4% on prior year (FY18: \$412.3 million)
- **Gross Profit²** of \$90.7 million, up 12.5% on prior year (FY18: \$80.6 million)
- **EBITDA²** of \$30.1 million, up 15.6% on prior year (FY18: \$26.0 million)
- **NPAT** of \$17.2 million, up 21.9% on prior year (FY18: \$14.1 million)
- **Growth in Active Customer base** to 1,609,000, up 15.9% from 30 June 2018
- **Fully franked final dividend** of 8.2 cents per share, resulting in 14.3 cents per share of total dividends for FY19, up 10% on prior year (FY18: 13.0 cents per share)

Kogan.com Limited (Kogan.com; ASX:KGN) today announced financial results for the full year ended 30 June 2019 (FY19).

After a strong first full quarter contribution from Kogan Marketplace, the Company reported Gross Sales¹ of \$551.8 million, up 12.0% on prior year (FY18: \$492.6 million), and Revenue² of \$438.7 million, up 6.4% on prior year (FY18: \$412.3 million).

Gross Profit² was \$90.7 million, up 12.5% on prior year (FY18: \$80.6 million), which reflected an increase in Gross Margin of 1.2pp to 20.7% (FY18: 19.5%). EBITDA² increased 15.6% to \$30.1 million (FY18: \$26.0 million), and NPAT grew 21.9% to \$17.2 million (FY18: \$14.1 million).

As at 30 June 2019, the Company had cash of \$27.5 million, an undrawn bank debt facility of \$30.0 million and Inventories of \$75.9 million, which comprised \$8.4 million of inventory in transit and \$67.5 million of inventory in warehouse. This reflects the Company's investment over the course of the financial year in inventory in order to meet customer demand — particularly of Exclusive Brands — combined with a reduction of inventory levels over the second half, partly due to the launch of Kogan Marketplace, which does not rely on inventory-based sales. More than 99% of inventory in warehouse at 30 June 2019 was less than 365 days old.

1. Gross Sales was formerly referred to as GTV (Gross Transaction Value). The company believes Gross Sales (formerly referred to as GTV) is a key metric of the business, given that transaction values of Kogan Marketplace, Kogan Mobile, and other New Verticals are not reflected in Revenue.

2. The Company has applied AASB 15 & 16 at 1 July 2018. Under the transition method chosen, comparative information is not restated. See Annexures 2 & 3 of the Investor Presentation for a reconciliation of the FY19 impact.

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

“In the 2019 financial year, we have continued our significant investments in our improved customer offering. We now have 13 distribution centres, enabling us to delight customers all over Australia and New Zealand with faster and more cost efficient delivery options. We have also significantly expanded our product range, giving our customers more choice and driving more competition on our platform.”

“We now operate in more segments than ever with a very compelling offer in each segment. We have continued to invest in our brand and customer experience to drive our growing portfolio of businesses and improve our customer value proposition.”

“During the financial year, we also continued to lay the foundation for future growth by either launching, or preparing for launch, a number of exciting new portfolio businesses – Kogan Cars, Kogan Credit Cards, Kogan Super, Kogan Mobile New Zealand and Kogan Energy.”

“Financial year 2020 has started well, with July unaudited management results showing continuing strong business growth and acceleration in Kogan Marketplace.”

Key drivers of financial performance in FY19

- **Brand Growth** – The business achieved growth of 221,000 Active Customers in the last 12 months (15.9%). At 30 June 2019 the business had 1,609,000 Active Customers.

ROI on marketing expenditure continues to improve following the implementation of a new proprietary marketing bidding system. This resulted in a year-on-year decline in marketing costs. This, in combination with a strong Net Promoter Score of 59.7, has helped build our customer base and drive growth.

- **Portfolio Businesses** – Exclusive Brands continued to achieve significant year-on-year revenue growth with an increase of 41.6% on FY18. Exclusive Brands represented 49.7% of overall Gross Profit in FY19. This growth was achieved through ongoing investment in Exclusive Brands inventory to broaden our range – including into white goods – and meet consumer demand from our growing base of Active Customers.

Third-Party Brands, which is a combination of what we formerly referred to as Global Brands and Partner Brands, has collectively experienced a year-on-year decrease in revenue following the change in GST laws and the apparent avoidance of GST by foreign websites. Apple sales during FY19 also suffered a material decline year-on-year following subdued demand for Apple products, in particular the new iPhone.

- **Kogan Marketplace** – During FY19 we launched Kogan Marketplace which has achieved \$1.5 million in commission-based revenues, reflected as Gross Profit. The launch of Kogan Marketplace is proving to be a transformational step for the Company. As Kogan Marketplace grows, the Company expects to be able to reduce its reliance on Third-Party Brand inventory and become more capital-light.

- **New Verticals** – Kogan Mobile grew Active Customers by 24.4% during FY19, while Kogan Internet grew Active Customers 273.2% during FY19. Commission-based revenues from Kogan Mobile grew 9.8% year-on-year.

Kogan Insurance, which includes our suite of insurance products, continues to scale. Commission-based revenues grew 144.0% year-on-year. We are focused on working with our Partners in Kogan Insurance to implement strategies to continue this growth in FY20.

- **Marketing and Other Income** – The Company has gained traction in assisting our Partners to engage in paid marketing and promotion on the Kogan.com platform, demonstrating the potential of marketing promotions as a revenue stream.
- **Variable costs and logistics** – During FY19 the Company invested in expanding its warehousing footprint to 13 fulfillment centres. Whilst incurring up-front costs, these investments in the future of the business have already helped provide efficiencies as well as further scale the business and provide our customers with faster and cheaper fulfilment to more locations.
- **Investment in People** – In order to retain key talent and align their interests with shareholders, the business has made strategic investments in people. Long-term incentives remain in place and people costs have increased year-on-year, partly as a result. FY19 People Costs includes \$1.2 million of costs relating to non-cash equity-based compensation. The majority of this equity-based compensation was issued in the period surrounding the IPO.

Dividend & Outlook

The Kogan.com Board has declared a fully franked final dividend of 8.2 cents per share.

At Kogan.com we are relentless in continuing to grow our existing businesses and to expand our portfolio of businesses. Kogan.com is a dynamic portfolio of businesses – there is always more that we can do and new ways we can delight our customers. During 2019, we are due to launch Kogan Mobile New Zealand, Kogan Money Super, Kogan Money Credit Cards and Kogan Energy.

Consistent with prior years, the Company will not be providing earnings guidance for FY20. However, the Company will provide regular business updates during the year.

1H FY20 has started well with July 2019 unaudited management accounts showing YoY:

- Gross Sales growth of 18.3%
- Gross Profit growth of 32.0%
- Kogan Marketplace Gross Sales of \$7.1 million

ENDS

For further information please contact:

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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 Money, Kogan Insurance, Kogan Cars 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.