

ASX ANNOUNCEMENT

18 February 2020

Kogan.com records highest ever half of Gross Sales¹ and Gross Profit

1HFY20 HIGHLIGHTS

- **Gross Sales¹** of \$322.9 million, up 16.4% on prior year (1HFY19: \$277.3 million)
- **Revenue** of \$219.5 million, down 5.3% on prior year (1HFY19: \$231.8 million) following launch of Kogan Marketplace, where only the seller fees are recognised as Revenue
- **Gross Profit** of \$49.9 million, up 10.6% on prior year (1HFY19: \$45.1 million)
- **Adjusted EBITDA³** of \$18.2 million, up 35.2% on prior year (1HFY19²: \$13.4 million)
- **NPAT** of \$8.9 million, up 20.8% on prior year (1HFY19²: \$7.4 million)
- **Growth in Active Customer⁴ base** to 1,699,000, up 10.2% from 31 December 2018
- **Fully franked Interim Dividend** of 7.5 cents per Share, up 22.9% on prior year (1HFY19: 6.1 cents per Share)

Kogan.com Limited (the Company; Kogan.com; ASX:KGN) today announced financial results for the half-year ended 31 December 2019 (1HFY20).

After a promising first full half contribution from the Kogan Marketplace, the Company reported Gross Sales¹ of \$322.9 million, up 16.4% on prior year (1HFY19: \$277.3 million), and Revenue of \$219.5 million, down 5.3% on prior year (1HFY19: \$231.8 million) due largely to the growth of Kogan Marketplace in respect of which only the seller fees are recognised as Revenue.

Gross Profit was \$49.9 million, up 10.6% on prior year (1HFY19: \$45.1 million), which reflected an increase in Gross Margin of 3.3pp to 22.7% (1HFY19: 19.5%). Adjusted EBITDA³ increased 35.2% to \$18.2 million (1HFY19²: \$13.4 million), and NPAT grew 20.8% to \$8.9 million (1HFY19²: \$7.4 million).

As at 31 December 2019, the Company had cash of \$34.1 million, an undrawn bank debt facility of \$30.0 million and inventories of \$94.7 million, which comprised \$13.1 million of inventory in transit and \$81.6 million of inventory in warehouse. This reflects the Company's investment over the course of the half in inventory in order to meet customer demand — particularly of Exclusive Brands. When compared to the prior year, inventory levels increased only 1.9% (1HFY19: \$92.9 million), notwithstanding the growth in Gross Sales¹ of 16.4% — this reflects the transition to becoming a more inventory-light platform as the Kogan Marketplace scales. More than 98% of inventory in warehouse at 31 December 2019 was less than 365 days old.

1. 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 Group applied AASB 16 Leases as at 1 July 2018. The Half-Year Report for the six months ended 31 December 2018 did not reflect the impact of the early adoption of AASB 16 Leases, refer to Annexure 2 of the 1HFY20 Results Presentation for the 31 December 2018 restatement reconciliation.

3. The Company believes Adjusted EBITDA is a measure of the underlying performance of the Business, it removes non-cash items including the Unrealised FX gain/(loss) and Equity-based compensation.

4. Unique customers who have purchased in the last twelve months from 1 January 2019.

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

We are proud to have delivered a record half in Gross Sales and Gross Profit whilst delighting our customers with the broadest offering we've ever had and the widest and fastest distribution network we've ever had. This half has been a period that saw us taking significant steps to invest in the future success of our platform and make it easier than ever for customers to shop with us. You can now use our platform to get an incredible deal on ab wheels or zip lock re-useable sandwich bags and everything in between.

During the period we delivered several game changing projects including the launch of four new business units whilst also growing Kogan Marketplace and expanding our Kogan First subscriber base. While Kogan First is still relatively new, we've already funded over \$1M of benefits to Kogan First subscribers - these benefits include free shipping, free upgrades to express shipping and exclusive discounts. All of these business units provide new avenues to delight our customers and further expand our loyal Kogan Community.

In particular, the continued investment in the Kogan Marketplace platform has led to a transition period for the Company. As we progress our investment in the Kogan Marketplace platform, it will enable our Business to achieve ongoing growth without the ongoing investment in inventory.

Key drivers of financial performance in 1HFY20

- **Brand Growth** – The Business achieved growth in Active Customers in the last 12 months of 10.2%. At 31 December 2019 the Business had 1,699,000 Active Customers.

Kogan First memberships scaled significantly during 1HFY20 as more and more customers recognise the significant value we are offering via the loyalty program.

ROI on marketing expenditure continues to improve due to our proprietary marketing system.

This resulted in a year-on-year decline in marketing costs. This, in combination with a strong average NPS of 59.7, has helped build our customer base and drive Gross Sales growth.

- **Product Divisions** – Exclusive Brands continued to achieve year-on-year Revenue growth, increasing 17.0% on 1HFY19. Exclusive Brands represented 46.0% of overall Gross Profit in 1HFY20. This growth was achieved through ongoing investment in Exclusive Brands inventory to broaden our range and meet consumer demand from the 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, partly due to the growth of Kogan Marketplace, which increases competition on our platform for the benefit of customers.

- **Kogan Marketplace** - The success of Kogan Marketplace has resulted in Gross Sales increasing by 44.6% QoQ in the December quarter compared to the September quarter. The platform is resonating with sellers, with our marketplace having increased the number of sellers on the platform by 55.2% QoQ, and there continues to be a long backlog of sellers ready to be onboarded onto our platform.

The exceptional growth of Kogan Marketplace has led to a period of transition for the Business.

Our proprietary marketplace platform enables the Business to achieve ongoing growth without ongoing investment in inventory.

- **Kogan First** – Our loyalty program grew rapidly through the period, demonstrating that customers are recognising the value being delivered. Since its inception members have received over \$1 million of additional benefits.
- **New Verticals** – Kogan Internet customers grew 344.4% year-on-year, resulting in commission-based revenue increasing by 642.0% over the same time period.

Kogan Mobile Australia also enjoyed growth, with customers increasing by 5.1% as at 31 December 2019 and commission-based revenue growth of 6.8% year-on-year.

Kogan Insurance, which includes our suite of insurance products, continues to scale. Commission-based revenues grew 44.0% year-on-year.

- **Advertising** – Advertising has grown to 5.3% of total Gross Profit, and has demonstrated the potential to become a significant growth area.
- **Variable costs and logistics** – Variable costs predominantly consist of warehousing costs. Our expansion of product range, particularly through our Exclusive Brands division has driven the increase in these costs. Our investments in efficiencies throughout our logistics network is paying off, with Variable costs growing at a slower pace to both Gross Sales and Exclusive Brands Revenue growth.
- **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. The majority of this equity-based compensation was issued in the period surrounding the IPO.

Dividend

The Kogan.com Board has declared a fully franked Interim Dividend of 7.5 cents per Share (**Dividend**).

Kogan.com raised \$32.0 million (after offer costs) in its IPO in 2016, and prior to the 1HFY20 interim Dividend had paid more than \$32.0 million in fully franked Dividends over the past 3 years, since IPO.

Dividend Reinvestment Plan

The Kogan.com Dividend Reinvestment Plan announced on 24 January 2020 (**DRP**) will apply to the Dividend, with Kogan.com Shares to be issued under the DRP at a 2.5% discount to the 5-day volume weighted average prices of the Shares sold on the ASX from the trading day prior to the Record Date of the Dividend (**Record Date**).

Outlook

At Kogan.com we are relentless in continuing to grow our existing platform and to expand our portfolio of new 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 2020, we are due to further develop and enhance the Kogan Marketplace platform, enabling the rapid onboarding of new sellers, and the enhancement of both customer and seller experience. We will also be focusing on the Kogan loyalty program, growing Kogan First and Kogan points programs with a view to enhancing customer engagement and enabling our customers to shop more frequently across a wider array of items.

Consistent with prior years, the Company will not be providing earnings guidance for 2HFY20. However, the Company will provide regular Business updates during the period.

January 2020 unaudited management accounts show YoY Gross Sales growth of more than 17%.

In light of the recent developments in relation to the coronavirus outbreak, it is too early to assess whether there may be any financial impact on our Business. Should there be sustained closures or delays of orders from international suppliers and manufacturers of our products, this may impact 2HFY20 earnings.

Authorised for release by the Board of Kogan.com Limited.

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 Insurance, Kogan Travel, Kogan Money, Kogan Cars and Kogan Energy. 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.

Annexure A

Kogan.com announced the introduction of a Dividend Reinvestment Plan on 24 January 2020.

Kogan.com invites all Eligible Shareholders to participate in the DRP, subject to the DRP rules (as announced on 24 January 2020). Eligible Shareholders have the option to participate in the DRP by submitting the DRP Election Form by the DRP Election Date via www-au.computershare.com/Investor.

Under the DRP rules, participation in the DRP is open to Kogan.com Shareholders with a registered address in Australia or New Zealand (unless otherwise determined by the Board).

Eligible Shareholders may elect to reinvest all or part of their dividends into Kogan.com Shares, free of brokerage, commission and other transaction costs.

Event	Date
Announce 1H FY20 results and Dividend	Tuesday 18 February 2020
Record date to identify holders entitled to Dividend	7.00pm, Thursday 27 February 2020
Last date for elections under DRP	Friday 28 February 2020
Date of Dividend payment	Tuesday 10 March 2020

Eligible Shareholders considering participation in the DRP should read the DRP rules (as announced on 24 January 2020), and seek their own independent financial and taxation advice about the consequences of participation in the DRP.