

ASX ANNOUNCEMENT

24 August 2021

Kogan.com produces record breaking Gross Sales in FY21, surpassing \$1 billion

FY21 highlights¹

- **Gross Sales² up 52.7%** to \$1.179 billion (FY20: \$772.3 million³), and a CAGR⁴ of 46.2% since FY19
- **Revenue up 56.8%** to \$780.7 million (FY20: \$497.9 million), and a CAGR⁴ of 33.4% since FY19
- **Gross Profit up 61.0%** to \$203.7 million (FY20: \$126.5 million), and a CAGR⁴ of 49.9% since FY19
- **Adjusted NPAT⁵ up 43.2%** to \$42.9 million (FY20: \$30.0 million), and a CAGR⁴ of 51.8% since FY19
- **NPAT** down 86.8% to \$3.5 million (FY20: \$26.8 million), reflecting one-off inventory, logistics and Mighty Ape acquisition costs
- **Adjusted EPS⁵ up 27.2%** to \$0.41 per Share (FY20: \$0.32 per Share), and a CAGR⁴ of 42.8% since FY19
- **EPS** of \$0.03 per Share, down 88.3% on prior year (FY20: \$0.29 per Share), impacted by a number of items detailed below
- **Kogan.com Active Customer base up 46.9%** (excluding Mighty Ape) to 3,207,000. Mighty Ape Active Customers grew to 764,000 at 30 June 2021
- **Net cash at financial year end** (total cash less drawn debt) of \$12.8 million

Kogan.com Limited (the Company; Kogan.com; ASX:KGN) is pleased to announce its financial results for the year ended 30 June 2021 (FY21).

Business growth accelerated significantly in FY21

Kogan.com achieved Gross Sales² of \$1.179 billion, up 52.7% on prior year (FY20: \$772.3³ million), and a CAGR⁴ of 46.2% since FY19. Given the volatility over the COVID period, the Compound Annual Growth Rate (CAGR) between FY19 and FY21 is an informative metric to consider the underlying growth of the Business.

1. Includes Mighty Ape's results since completion, for the seven months ended 30 June 2021.
2. Gross Sales is a key metric of the Business, given that gross transaction values of Kogan Marketplace, Kogan Mobile and other New Verticals are not reflected in Revenue.
3. FY20 restated to include Kogan Energy Gross Sales. Kogan Energy launched in September 2019, Gross Sales data has historically been unavailable.
4. Compound Annual Growth Rate (CAGR) between FY19 and FY21 is an informative metric to consider the underlying growth of the Business, given the volatility over the COVID impacted period.
5. Adjusted EBITDA, Adjusted NPAT and Adjusted EPS are measures of the underlying performance of the Business, they remove non-cash items including the unrealised FX gain/ (loss), equity-based compensation and one-off non-recurring items. Refer to Annexure 2 of this Presentation for a detailed reconciliation of adjusting items.

Kogan.com grew across key metrics

- Revenue was up 56.8% to \$780.7 million (FY20: \$497.9 million), and delivered a CAGR⁴ of 33.4% since FY19.
- Gross Profit was up 61.0% to \$203.7 million (FY20: \$126.5 million), and a CAGR⁴ of 49.9% since FY19.
- Adjusted NPAT⁵ was up 43.2% to \$42.9 million (FY20: \$30.0 million), and a CAGR⁴ of 51.8% since FY19.
- Adjusted Earnings per Share⁵ was up 27.2% to \$0.41.

FY21 NPAT of \$3.5 million and EPS of \$0.03 per Share were materially impacted by the following one-off items:

- Excess inventory in 2H FY21 significantly increased storage costs, driving an overall increase in Variable Costs to \$44.9 million (FY20: \$20.1 million) and subsequent marketing costs through promotional activity to rebalance inventory levels relevant to the size of the business.
- Logistics detention charges of \$7.7 million incurred as part of Variable Costs as a result of COVID related warehousing and supply chain interruptions from late 2020 to April 2021 (almost never previously incurred, and resolved prior to 30 June).
- People Costs of \$12.0 million to provision for the likely payment of Mighty Ape Tranche 3 & 4 purchase price instalments as well as \$0.8 million relating to acquisition costs. For income tax purposes, this is considered capital in nature, and therefore no tax deduction is available.

Due to the above items impacting FY21 results, the Company refers to its adjusted⁵ results as a useful metric to assess underlying business performance in FY21.

Successful acquisition of Mighty Ape

The newly acquired Mighty Ape team and operations are progressively being integrated into the Kogan Group. For the seven months to 30 June 2021, Mighty Ape's trading showed strong sales over the Christmas peak trading and end of financial year sales periods, with Revenue and Gross Profit of \$80.2 million⁶ and \$19.9 million⁶, respectively. Active Customers grew to 764,000 as at 30 June 2021. For a full 12 month period to 31 March 2021, Mighty Ape forecasted \$14.3 million⁷ EBITDA as disclosed in the ASX announcement on 3 December 2020 - this forecast was achieved.

Strong balance sheet and capital position

As at 30 June 2021 the Company had a net cash position (total cash less drawn debt) of \$12.8 million. Inventories stood at \$227.9 million, comprising \$36.1 million in transit and \$191.8 million in warehouse.

Managing rebalancing of inventory levels

As previously discussed, late last year the Company was facing volatile and dynamic trading conditions and took a view that the levels of demand during the first half of FY21 would likely continue into the second half, and potentially grow further still. The Company invested in inventory and operational capacity to be able to fulfil that growth.

Consumer demand did not increase at the rate forecast, and various supply chain and logistics disruptions caused the Company to end up with a high inventory position in 2H FY21. To address this, the Company placed a strong focus on promotional activity in the second half to support the rebalancing of inventory.

Following the end of the second half, inventory is approaching the right level for the business and the Company expects improved operating leverage moving forward, especially since growth in sales has resumed in 1H FY22.

6. Values stated in AUD using the AU/NZ average rate from 1 December 2020 to 30 June 2021 of 0.9315.

7. Value stated in AUD using the AU/NZ spot rate of 0.95 as at 23 November 2020, as per the ASX announcement dated 3 December 2020.

Commenting on Kogan.com's performance over FY21, Founder and CEO Ruslan Kogan said:

"Over the past 12 months, Kogan.com turned 15 years young, surpassed \$1 billion in Gross Sales for the first time ever, surged past three million Active Customers, had record-breaking Black Friday sales, and made our largest ever acquisition to accelerate our expansion into New Zealand. And those are just the highlights.

"It's been a challenging year for so many people around the country. I'm proud that our team remained focused through difficult COVID-impacted operating conditions and found ways to support our customers when they needed our help most.

"While we recently celebrated our 15th birthday, we feel like we're just getting started. Over the next year we'll be rolling out new and exciting projects to further support our loyal Kogan Community with Kogan First membership rewards, new and improved delivery solutions, and further enhancements to the online shopping experience.

"Over the past 18 months we have witnessed a massive swing towards the eCommerce retail revolution, one Kogan.com has been ready and waiting for, for well over a decade. We look forward to continuing our quest to delight our customers by making the most in demand products and services more affordable and accessible."

Key drivers of financial performance over FY21

- **Platform growth** - Kogan.com Active Customers at 30 June 2021 was up 46.9% to 3,207,000 (excluding Mighty Ape). Mighty Ape Active Customers grew to 764,000.

The Business strategically increased its marketing activities in order to grow Active Customers. The significant investment to grow our platform and Active Customers had an immediate impact on growth in Active Customers and is also expected to have ongoing long-term benefits to our Business through repeat purchasing from the incremental Active Customers and growth in Kogan First membership.

- **Product Division growth** - Exclusive Brands continued to achieve year-on-year Revenue growth, up 62.5% on FY20 and achieving a CAGR⁴ of 43.3% since FY19. Exclusive Brands also achieved Gross Profit growth of 63.4% on FY20 and a CAGR⁴ of 52.7% since FY19, resulting in a contribution of 51.6% to the Group's overall Gross Profit in FY21. This 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 achieved growth in Revenue and Gross Profit, delivering an increase of 18.9% and 10.1% respectively on FY20, and a CAGR⁴ of 7.9% and 7.7%, respectively since FY19.

- **Kogan Marketplace growth** - The success of Kogan Marketplace has resulted in Gross Sales² increasing by 91.0% in FY21 compared to FY20. The platform continues to resonate with sellers, with Kogan Marketplace having increased the number of sellers significantly, while there continues to be a strong pipeline of new sellers ready to be onboarded.

The exceptional growth of Kogan Marketplace has led to a period of transition for the business. We are continually improving our proprietary marketplace platform which enables the Company to achieve ongoing growth without a corresponding investment in inventory. The growth of Kogan Marketplace means that customers have more choice than ever, and it was launched in New Zealand prior to the financial year end.

- **Kogan First growth** - The Company places great emphasis on customer experience and we are currently progressing exciting projects to enhance our Kogan First offering further incentivising and rewarding our loyal customers in the near future.

The Kogan First loyalty program grew to over 120,000 members as at 30 June 2021, with Kogan First members demonstrating stronger loyalty and repeat purchase behaviour than non-members.

Kogan First members on average received \$105 of member benefits in FY21. Kogan First subscription revenues grew to \$8.9 million in FY21, while member benefits totalled \$12.7 million in FY21.

The Company's medium term goal is to reach 1 million Kogan First members, and it is investing in member benefits to work toward this goal.

- **Variable costs** - Variable Costs predominantly consist of warehousing and selling costs. The increase in selling costs was largely driven by growing volumes of transactions, while the increase in warehousing costs was driven by the significant inventory holding referred to earlier. Variable costs also include the one-off logistics detention charges of \$7.7 million, driven by warehousing and supply chain interruptions from late 2020 to April 2021 (almost never previously incurred, and resolved prior to financial year end).
- **Investment in our Team** - In order to reward and incentivise key talent and align their interests with our Shareholders, the Business has made strategic investments in team members. Long-Term Incentives remain in place and People Costs have increased year-on-year, as a result. FY21 included equity-based compensation expenses driven by the recent awards of options after the Company's AGM in November 2020, which are being expensed as per the accounting treatment described in the Notice of Meeting of the 2020 AGM.
- **Other Costs** - Other costs are inclusive of donations made throughout the year of \$2.5 million and an increase of legal and accounting fees related to M&A activities. We have invested in enhancing our platform and building on our customer experience which has increased technology costs in the short term.

Cash being utilised to support growth plans

Kogan.com has a strong balance sheet, and attractive short-term and long-term growth opportunities. To support the Company with its growth plans, the Board has decided to conserve cash for business investment and growth purposes and has paused dividends - having not declared a FY21 final Dividend.

Positive outlook for continued growth

Kogan.com is a dynamic portfolio of business — there is always more that we can do and new ways we can delight our loyal customers.

During FY22, Kogan.com expects to deliver strong growth in Kogan First memberships, ongoing growth in Exclusive Brands, further enhancement and development of Kogan Marketplace, and the benefits from the full integration of the Mighty Ape team and operations flowing through.

To improve its capabilities, the Company also anticipates potentially implementing logistics projects that would not require significant capital expenditure and can be supported by the Company's balance sheet.

Consistent with prior years, the Company will not be providing earnings guidance for FY22. However, it will provide regular business updates during the year.

July 2021 unaudited management accounts show:

- Gross Sales² growth of 5.1% above July 2020
- Gross Margin improvement on June 2021, while below July 2020
- Adjusted EBITDA⁵ of \$2.1 million reflecting high Operating Costs which are gradually reducing
- Inventory of \$215.4 million (comprised of \$177.9 million in warehouse and \$37.5 million in transit)
- A strong balance sheet that supports the planned growth initiatives of the business
- Kogan First members were 147,000

The first 18 days of August 2021 have shown a strong acceleration above July 2021 performance, with Gross Sales² 24.5% above July, and Gross Profit 25.0% above July for the equivalent number of days in unaudited management accounts.

Investor conference call

A presentation of the FY21 result as well as a briefing session for investors and analysts will be held at 10:30am (AEST) today. Participants can register for the briefing session via www.koganpresentation.com.

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, Kogan Energy, Dick Smith, Matt Blatt and Mighty Ape. Kogan.com 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.